Unemployment Insurance Review

May 1964

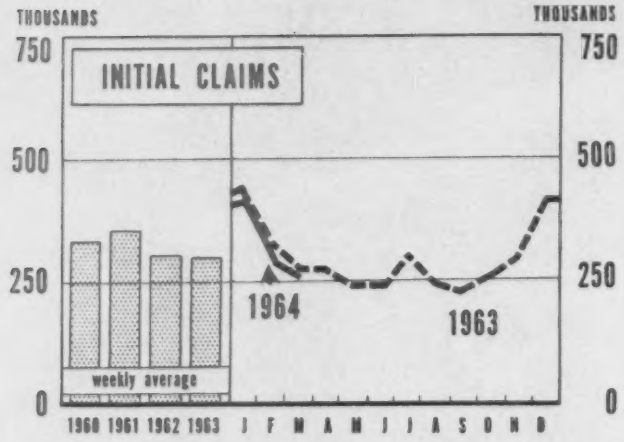
Benefit Fraud—Prevention and Detection

Control of Fraud and Overpayment
The Fictitious Employer Problem
Wage Records: Fact or Fiction?
Texas Looks for Fictitious Employers
Allowances for Dependents in Maryland

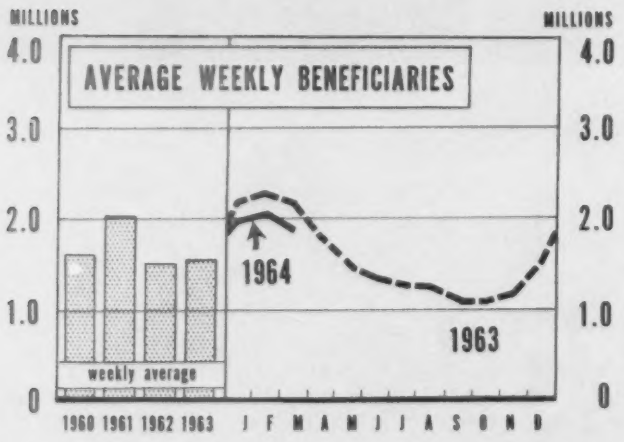
UNITED STATES DEPARTMENT OF LABOR MANPOWER ADMINISTRATION

UNEMPLOYMENT INSURANCE ACTIVITIES

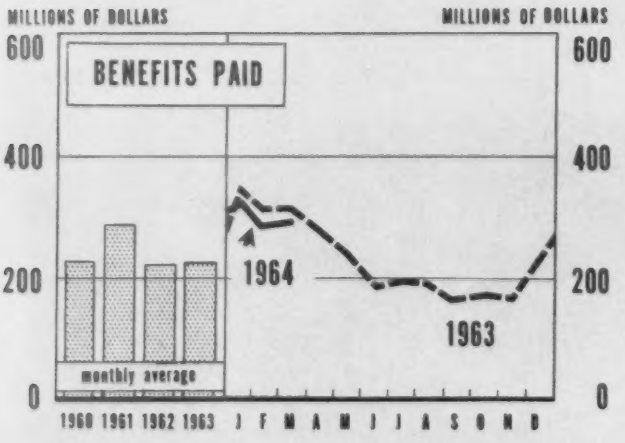
UNDER STATE PROGRAMS



Initial claims were at a weekly average of 259,000 in March, 11 percent below the February figure. The over-the-month decline was about seasonal. Compared with a year earlier, claims this March were down by 5 percent.



A weekly average of 1.9 million beneficiaries received payments under State unemployment insurance programs in March—a 6-percent decrease from February and nearly 13 percent below the March 1963 average.



Some $293 million was paid out in benefits to insured jobless workers under regular State unemployment insurance programs in March—an increase of $9 million from February but $23 million below the year-ago amount.

Unemployment Insurance Review

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U.S. DEPARTMENT OF LABOR
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MANPOWER ADMINISTRATION
John C. Donovan, Administrator

BUREAU OF EMPLOYMENT SECURITY
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UNEMPLOYMENT INSURANCE SERVICE
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The UIS Director Comments

From time to time critics of unemployment insurance attempt to discredit the program with allegations of widespread benefit fraud, but in reality only a tiny proportion of all unemployment benefit payments—less than three-tenths of 1 percent in fiscal year 1963—is found to have been paid out fraudulently.

This does not mean, of course, that benefit fraud is not a cause for concern in unemployment insurance. It has to be. All insurance systems, whether public or private, inevitably attract some cheaters. This is almost an inherent aspect of insurance. The professional arsonist is, in a sense, the product of fire insurance. Even life insurance is victimized from time to time by hoaxes, homicides, and conspiracies committed in order to collect on a life insurance policy. All kinds of casualty insurance, such as automobile insurance, must constantly contend with padded claims.

Naturally, we cannot expect unemployment insurance alone, among the insurances, to be free of would-be cheaters. The fact that—in order to discharge the program's basic function of compensating insured unemployed workers for part of their wage loss—we must emphasize promptness of benefit payment, is bound to increase the risk of fraud. The fact, too, that even after returning to work a claimant may not receive a wage payment for perhaps as long as 2 weeks is apt to tempt some workers to continue their claim fraudulently. Recognizing these "facts of life" about unemployment insurance makes the system's relative freedom from benefit fraud all the more surprising.

Such recognition, too, must bring home to us the necessity of constantly maintaining an adequate program to prevent and detect fraudulent practices and to deal promptly and decisively with improper payments of any kind. Although our record is a good one, it should be no basis for complacency. We have the essential tools to do a highly creditable job of warding off fraud and of detecting it when it occurs. The States have both criminal and administrative penalties that are used in dealing with benefit frauds.

A battery of sound techniques is in general use for the prevention of improper payments. These include: (1) the benefit rights interview, which is designed to make certain that the claimant is fully aware and informed of his rights and responsibilities under the law, (2) administrative measures for taking full advantage of the employer's interest in the program by obtaining from him complete, accurate information about a worker's earnings and the reason for his separation, (3) an alert staff ever watchful of the marginal claimant with questionable labor force attachment, and others who should arouse suspicion by their work clothing and late reporting while claiming benefits, and (4) encouraging proper public attitudes toward deterring fraud attempts by using fully for educational purposes meetings of employer and labor groups, and the widespread use of posters, films, and publicity through news media.

The States are continuing, too, to employ a wide variety of detection techniques. The most widely used in those States using the wage record system for determining benefit entitlement is the crossmatching of benefit payments with wage records and with BOASI wage records. Other techniques include benefit payment surveys, chargeback notices to employers of benefit payments made to their former employees and other back-to-work verification checks, industry and occupational surveys, unannounced local office procedural audits, and investigation of tips and leads from outside sources.

There is nevertheless a great deal more that we can and should do. Despite all our activity to prevent and detect benefit frauds and other improper payments, there are gaps in our knowledge about this aspect of unemployment insurance. We need to know more about the claimants who become involved in such overpayments. Who are they? What are their common characteristics? Do fraud and overpayments appear more often among some types of claimants, occupations, and industries than among others? At what point in the claims series does overpayment most frequently occur? What are the differences among local offices in their respective overpayment ratios? These are only some of the questions we should be asking. Answers to these and other pertinent questions should lead us to an even higher level of performance in preventing and detecting improper payments. This demands intelligent application of our best efforts.

Benefit Fraud—Prevention and Detection

The techniques used to prevent and detect fraud and overpayment in unemployment insurance, as well as pertinent studies of employers and claimants, are discussed in the following five articles.

Control of Fraud and Overpayments

*Harry W. Ross**

OCCASIONALLY, articles appear in the press and in magazines alleging widespread fraud in the unemployment insurance program. Cases of abuse are cited which give the impression that the system is rife with malingerers and cheats. Such articles are bound to raise a question in the minds of readers as to the volume of such cases and the adequacy of controls to prevent their occurrence. How serious is this problem and what are the States and the Department of Labor doing to control it? This article and others in this issue will attempt to answer these questions.

The administrative statistics supplied by the States suggest that fraud is not a problem involving relatively large amounts of money or large numbers of people. During fiscal year 1963, more than 6.1 million unemployed workers were paid benefits totaling more than $2,788,000,000. Only 11 out of every 1,000 beneficiaries were found to have engaged in a fraud that resulted in overpayment. Of every $100 paid out in benefits during the year, only 27 cents was an overpayment resulting from fraud. Sixty-seven percent of all improper payments were recovered promptly, and, on the basis of past experience additional recovery can be anticipated.

While there is no cause for alarm, there is also no room for complacency. Any relaxation of vigilance could open the door to abuse and impair the integrity of the program.

*Chief, Branch of Benefit Payment Control, Office of State Operations, Unemployment Insurance Service, Bureau of Employment Security.

Nature of the Problem

Some impressions in the mind of the public about fraud in unemployment insurance can be attributed to a misunderstanding of the nature of the problem. Quite often public criticism is brought about by misconceptions as to what constitutes a fraudulent payment. In many instances, this misconception arises from a misinterpretation of the law, instead of willful misrepresentation or nondisclosure of facts. Also, some confusion has resulted from the representation of overpayments as "fraudulent" when many are due to error.

Any system that pays money to large numbers of persons on the basis of claims made by them is bound to attract some who are dishonest. This experience is common to private enterprise as well as to government. The need for preventing abuse of the system is, therefore, ever present and vital. It concerns those who administer the unemployment insurance program, those who finance it, and the public. It calls for an effective program of prevention and detection of improper payments to insure that only those who are entitled to benefits receive them.

Because fraud may implicate persons other than the direct recipient of the improper payment, such as employers or agency employees, this subject must be the concern of everyone.

The Federal-State Responsibilities

The framework of the Federal-State employment security system gives the States the administrative responsibility and authority for handling the fraud problem. The Bureau of Employment Security is responsible for developing program standards and ensuring that the States meet them. The Bureau also aids the State agencies in carrying out their programs effectively by providing technical assistance. The basic Federal interest derives from the fact that the Secretary of Labor is required to certify States for Federal administrative grants necessary for the proper and efficient administration of the State laws.

Section 303(a)1 of the Social Security Act provides, in part, that the Secretary of Labor shall make no certification of payment to any State of funds for administration unless he finds that the law includes provision for methods of administration found by him to be "reasonably calculated to insure full payment of unemployment compensation when due." The words "when due" have been construed to mean "only when due."

In May 1950, the Secretary of Labor issued a Standard for Fraud and Overpayment Detection, in which he outlined Federal criteria for determining whether or not a State law provides for the required methods of administration. Under this Standard, State agencies must establish a procedure for post-payment investigation of a sample of their claims, fix responsibility for such activity within the agency, maintain adequate records by which the results of investigations may be evaluated, and publicize the legal consequences of fraudulent claims. By the fall of 1950, all of the States had taken the necessary steps to comply with the Standard.

It should be recognized that the problem of improper payments cannot be dealt with in the same way in all States, although certain principles of control remain basically the same. Underlying the problem are the variations in State laws, the legal aspects of the definitions of improper payments, and the administrative complexities in making millions of individual payments.

Preventing Overpayments and Fraud

Since 1938, when unemployment insurance benefits first became payable, State agencies and the Bureau have been working together toward the common goal of improving the quality of claims taking and perfecting controls to prevent and detect improper payments. These efforts have been ably augmented by the Interstate Conference Committee on Fraud Prevention and Detection, which represents the Interstate Conference of Employment Security Agencies on all matters pertaining to fraud prevention and detection, including internal fraud.

State Controls on Benefit Payments

The essential ingredients of an effective system of benefit payment controls to prevent fraud and other overpayments tie closely to sound practices in claims administration. Prevention of improper payments begins when the claimant first reports to the local office, and it continues throughout his claim series. For example:

1. At the time of initial claims filing, he must prove his identity by presenting his social security account card, and give the reason for his unemployment. He is informed that to be eligible he must be unemployed, be able to work and available for work, and that the law provides penalties for making false statements. His signature on the new claim form certifies that he meets the eligibility requirements and attests to the truth of his statements.

2. In most States, new claimants are furnished unemployment insurance informational pamphlets which outline basic requirements for benefit entitlement, and tell about the penalties for willful misrepresentation.

3. A card serves to identify the claimant for placement and unemployment insurance purposes, and as an appointment card.

4. Contact is made with the claimant's previous employer to obtain information necessary to evaluate the reasons for claimant's unemployment.

5. In benefit rights interviews, each claimant is instructed as to his rights and responsibilities. This is effective in shaping his attitude toward the system and in discouraging him from filing improper claims.

6. Most claimants are required to report their unemployment in person, usually once a week. Appearances at other than the assigned reporting time are subject to scrutiny.

7. Office procedures contain guides to alert claimstakers to elements of a claimant's appearance and activities which may suggest a need for further questioning.

8. On continued claims the signature on the pay order is compared with the claimant's signature on the claim record card. Discrepancies are investigated promptly.

9. The claimant is questioned as to wages earned and availability for work each time he reports to claim benefits. A special interview occurs whenever there is a question or presumption of a disqualifying condition.

10. Early in the claim series the claimant is required to complete a selective grouping questionnaire which serves as a guide in scheduling him for periodic interviews. At stated intervals thereafter, he is asked to complete another questionnaire and is interviewed to determine his current and continued eligibility for benefits.

11. Local office employees are prohibited from handling either directly or indirectly any claims filed by persons related to them.

12. Generally, claimants are required to register for work with an office of the State Employment Service; to report all job offers from any source and refusals of employment; and to look for employment as directed and to apply for work when referred by the Employment Service.

13. Procedures calling for an exchange of information between the Unemployment Insurance Service and the Employment Service provide an additional check on claimant's eligibility for benefits.

In some States, each pay order, before payment, is reviewed or audited in the central office. This involves a manual checking of the pay document against a benefit ledger or equivalent document which contains a complete record of all action taken on the claim. Items commonly checked include: Claimant identity; benefit year ending date; balance available; payment for duplicate weeks; payment for waiting weeks; claim continuity, i.e., need for an additional claim following a break in filing; payment during period of disqualification or ineligibility; deduction for earnings; and offset against overpayment.

Some of the above operations are mechanized in States that possess data processing equipment. In States where payments are made in the local office, payment documents are post audited to detect errors. The post audits may be mechanized or manual, or a combination of both, depending upon the equipment available to the State. Other controls include notices to employers of benefits paid, and Bureau of Employment Security controls against duplicate filing of UCFE (Unemployment Compensation for Federal Employees) and UCX (Unemployment Compensation for Ex-Servicemen) claims.

To insure that claims personnel are qualified to deal with the above matters, State agencies make effective use of specialized inservice training and technical field supervision.

Detecting Overpayments and Fraud

In addition to the controls used to prevent overpayments, State agencies employ various fraud detection devices. In keeping with program objectives, many States planned to increase the scope of their detection activities in 1964 over those used in prior years. Some of the detection activities will be used experimentally.

Many different approaches are taken by State agencies in dealing with the problem of fraud and overpayment. In order to know what the States are doing in this area, the Bureau has, since 1961, requested them to submit annually a "Plan of Action." The plan lists the detection methods that will be used in the ensuing 12-month period, including estimated workloads. At the close of the year to which the plan applies, a detailed "Report of Accomplishments" is submitted by each State. When these have been analyzed, the information is used by the Bureau to help State agencies to improve their control programs. Also, a national summary of the reports is published and distributed to all States to provide them with guidance in planning their future work programs. This is part of a general program for pooling experience and knowledge in this important field. Ultimately, it will demonstrate which detection techniques are most productive in relation to costs and will result in better controls.

The Federal Role

Although basic controls were built into the system at the beginning of the program, it was not until 1954 that a Benefit Payment Control Branch was established in the Unemployment Insurance Service to furnish increased leadership and technical assistance to the States in this area of administration. Its mission entails working with the Bureau's regional offices and the State agencies in at least two principal areas: (1) The strengthening of State programs for preventing and detecing improper payments, including the prompt recovery of such payments; and (2) the improvement of basic claims-taking methods to prevent improper payments before they occur.

The Branch makes or participates in evaluations to determine whether:

1. State operations are efficient and economical.

2. Sufficient investigations are being made after payment of benefits to test the effectiveness of the agency's procedures for preventing and detecting improper payments.

3. Prompt action is being taken to recover amounts improperly paid.

4. Administrative penalties for fraud are adequate to discourage misrepresentation.

5. Prosecution is promptly undertaken against claimants and employers who have willfully misrepresented facts.

6. Adequate publicity is being given to the pen-

alties assessed for misrepresentation, e.g., loss or postponement of benefits, fines, and imprisonment.

7. The tenor of State activities is such as to discourage the improper claiming of benefits.

The Branch of Benefit Payment Control also reviews State agency budget requests and recommends allocations for administration of this area of the program.

It conducts special studies and surveys and circulates its findings and recommendations to the States.

In its role as clearing house, the Branch of Benefit Payment Control maintains a record of all of the pertinent features of State agency control activities. This includes overpayment and fraud prevention and detection procedures and forms which are made available to the States upon request, or are recommended by the Bureau for use by a particular State following a periodic evaluation of its control program.

The Positive Side of the Picture

It is abundantly clear from State experience that few claimants deliberately lie to obtain benefits. Because of varying degrees of understanding, some claimants can be expected to make honest mistakes in supplying information to claims personnel. They may not realize that certain work constitutes employment, and thus fail to report it. Others may not clearly understand the difference between gross and net pay and thereby unwittingly invite overpayments. Or, they may be confused and fail to attribute their earnings to the actual days worked. These cases must be distinguished from those in which there has been a deliberate misrepresentation to obtain benefits.

Although some fraud cases are flagrant and make a deep impression upon the public, it should not be assumed they are typical of statewide or national experience. Recently, in one State, a claimant defrauded the State of thousands of dollars in unemployment insurance by setting up fictitious businesses and claiming benefits on the alleged earnings of nonexistent employees. This prompted the agency to make a special audit of its negative balance employers (accounts in which the payment of benefits to employees is greater than the amount paid in taxes). Of 642 employers audited, all were found to be legitimate businesses.

In another State, a check of 78,000 covered employers established that all of them were legitimate entities.

Ample evidence exists that the vast majority of the Nation's employers are honest, and are meeting their responsibilities in the unemployment insurance program.

Those of us who are directly concerned with benefit payment operations, at national and State office levels, know that a major and continuing effort is being made to insure the validity of benefit payments. It has been said with some truth that "the more you look, the more you will find." No program, however, even one involving large outlays of money, can afford an overhead for policing that is disproportionate to the amount disbursed. Neither can our vigilance be relaxed without inviting some abuse. The total effort must, therefore, be reasonable in scope, and observant of responsible statistics which are a barometer of improvement or regression. Such data are supplied by the States to the Bureau, and are analyzed constantly with other reports to detect and correct problem areas.

In looking at the total picture it is important to consider the role the unemployment insurance program plays in the Nation's economy. It keeps purchasing power up by offsetting payroll losses. It helps conserve the Nation's skills by giving unemployed workers a chance to look for jobs suitable to their training and experience by providing some income during the interim. This image is far more realistic than the one that may be created by the fraudulent acts of a relatively small number of misguided individuals.

The Fictitious Employer Problem

*John J. Broad**

Sound and efficient administration of the unemployment insurance program must include active fraud prevention and detection procedures to protect the unemployment trust fund. These procedures should always be an integral part of both the benefit and tax operations, and they should be studied and reviewed continuously for their im-

*Chief, Controller Division, Michigan Employment Security Commission.

provement. Since its inception in 1938, the Michigan Employment Security Commission has maintained a systematic program for the detection and prevention of fraud, which includes as an area of particular concern the discovery of fictitious employers and claimants.

Michigan's request reporting system provides for the mailing of copies of claimant's benefit checks to employers and for a notification to the separating employer whenever the claimant files an initial claim. These steps provide basic controls for the prevention of fraudulent or erroneous benefit payments. Other regular controls contributing to a well-rounded fraud prevention and detection program involve the periodic audit of employer records, special audits when necessary, careful review of a claimant's certification of back-to-work dates and all other information obtained from the claimants and their employers, with investigations where indicated, as well as benefiit rights interviews and periodic interviews with the claimants.

In evaluating different procedures, Michigan found there is no indication that a quarterly wage reporting system has any advantages over a wage request reporting system. Past experience of various States has revealed that the filing of individual wage reports for each quarter is not a deterrent to the establishment of accounts by fictitious employers and the subsequent filing of fraudulent claims for unemployment benefits. A number of these fictitious employers have been very meticulous in filing all required reports and in paying the taxes on the wages reported—whether it be by quarterly wage reports or wages reported on request.

Identifying Legitimate Claimants

The fact that an individual is able to obtain fictitious social security numbers indicates the need for some additional identification to be furnished by the claimant.

As a means of preventing multiple claims filing by any individual under various aliases and various social security account numbers, a procedure was put into effect that requires a claimant, at the time of filing a new claim, to furnish identification in addition to his social security number. The additional identification must be one of the following: Driver's license, work badge, voter's registration card, military service discharge paper or record, or birth certificate.

Michigan's law enforcement agencies are requested to notify the Commission of any individuals they apprehend who have multiple social security account numbers. The account numbers in all cases brought to the attention of the Commission are then checked against all claim records on file, and all claims located under these account numbers are thoroughly investigated.

Although the training of the Commission's employees in the detection and prevention of fraud is a continuing project, specialized training programs, tailored to cope with this specific type of fraud, have been developed for both local and State offices.

Identifying Legitimate Employers

To guard against the establishment of fictitious employer accounts, which pave the way for filing fraudulent claims for benefits, the following procedures have been introduced in Michigan: (1) The immediate audit of the payroll records of all employers who become subject under section 41(1) of the Michigan Employment Security Act. (Employers of four or more employees in 20 different calendar weeks within a calendar year are covered under the law.) Such an audit is carried out within 30 days following determination of an employer's liability. (2) An immediate audit of the records of all elective coverage employers (employers not subject to the law, but who voluntarily elect coverage under section 41(4) of the Michigan Act). In these cases, the audit is carried out within the second calendar quarter of such coverage.

The reasons for these procedures are: (1) *Employers held liable under the statutory provisions* have had at least 20 weeks of employing experience; therefore, audits of their records can be productively scheduled soon after the determination of liability is made. (2) *Employers covered by election* become liable the first day of the calendar quarter in which they file a request for coverage. Since there is no tax liability until these employers have been in business for at least one calendar quarter, the Commission does not schedule an audit until the second quarter of coverage.

These audits and contacts enable the Commission to verify the bona fide existence of such employers and that they are actually transacting business. In the first 8 months of fiscal year 1964, the Commission contacted 1,001 employers who admitted their liability by correspondence. The contact was made to verify their existence, audit

their records for the period of admitted liability, investigate prior years where applicable, and obtain any delinquent contribution reports and taxes due at the time of contact. Of the dollar amount of delinquent contributions established at the time of contact, over 16 percent resulted from the discovery of liability prior to the date of admitted liability by 64 employers. During this period no fictitious employers or claimants were discovered.

Checking Negative Balance Accounts

A procedure was developed to verify the bona fide existence of employers with negative balances in their experience rating account (employers showing benefit payments in excess of their contributions). The procedure was aimed at (1) determining that these employers were actually transacting business, and (2) verifying the existence of those negative balance employers who previously had been terminated.

A complete listing was compiled, through use of the computer, of all employers who had become liable since January 1, 1958, and who had negative balances as of June 30, 1962. There were approximately 5,400 such employers. The files of these employers were reviewed by the staff of auditors in the Controller Division for the purpose of referring selected cases for investigation or audit, or both.

Criteria governing the selection of cases for further review or study were as follows: (1) no record existed of a previous personal contact by the agency, (2) the addresses for the business and the employer's residence were identical, (3) the employer's identity and existence were not well known, (4) the address for the employer was a post office box number, a telephone answering service, or a bookkeeping service, and (5) there were questions of any sort regarding the bona fide existence of the employer.

Approximately 1,400 cases were referred to the Field Audit Unit to contact, investigate, or audit. For these employers the field auditors were furnished facsimiles of canceled benefit checks (chargeable to these employers' accounts) covering all claimants who drew benefits in 1961 and 1962.

In addition to the regular audit to insure proper payment of unemployment insurance taxes, the field auditors checked the work status of any of a firm's officers who were drawing unemployment benefits during the period of an alleged layoff. They also verified that the wages reported for benefits were actually paid and included in the tax return, and that the corporation was a corporation in fact.

When relatives of individual owners and partners collected benefits, the auditors checked (1) the wages upon which taxes were paid against information submitted to the local office for benefit purposes; (2) whether the benefit payments covered periods of partial employment; and (3) the extent of such a claimant's services for partial wages as compared to work performed for full pay.

A review was made of over 2,800 employers whose liability was terminated prior to June 30, 1961, and whose negative balances were transferred to the solvency account as of June 30, 1962. The same techniques were used as in the review of the 5,400 employers mentioned above. No evidence of fraudulent registration or activity was discovered in any of these cases.

Even though there may be no evidence of improper actions on the part of employers or claimants, the very nature of the program requires continuous audit to prevent fraud. The following statement [1] is an excellent summary of the scope of the problem.

"A completely foolproof system of fraud control in unemployment insurance is no more possible than in any other large institution, public or private, where the payment of large sums of money is involved.

"Insurance companies are often victimized by fraudulent claims. The cost of eliminating all fraud from such claims would be prohibitive. Department stores cannot stop shoplifting completely, and government tax returns are accepted, sometimes with minimum scrutiny, because of the time element involved. Similarly, the unemployment insurance system would be unable to fulfill its intended purpose if every claim were treated as a possible attempt to defraud the fund.

"Reliance must be had on eternal vigilance, publicity, education, and, in the final analysis, on the inherent honesty of the everyday working man and woman and the employer."

[1] See Harry Zankel, "New York's UI Investigators Bolster Fraud Control," in *Employment Security Review*, November 1962, pp. 7–9.

The June issue of the *Review* will contain special articles on the adjudication process at various levels.

Federal Unemployment Insurance Programs will be featured in the July issue.

Wage Records: Fact or Fiction?

*Samuel Wolfson**

THE PENNSYLVANIA agency has long been aware that one of the most difficult problems in fraud control is the reporting of fictitious wages as a device for establishing financial eligibility for persons to use in making fraudulent claims. Strict control must be exercised (1) to prevent individuals from attempting to report fictitious business enterprises or (2) to prevent a legitimate employer from reporting fictitious names on his payroll or from inflating the amount of wages actually paid to certain of his employees. These are variations of the techniques used for filing fictitious wage reports and subsequently filing fraudulent claims for benefits.

As far back as 1953, the Chief of the Field Accounting Service in Pennsylvania advised his staff to include the following statement in their procedures for auditing and establishing new employer accounts: "*The apparently innocent gesture of filing a quarterly wage report might well be the first step of a conspiracy to defraud the unemployment compensation fund. Instances have been uncovered where a fictitious employer established an account by reporting false wages paid to alleged employees so that the individuals listed on the quarterly wage reports could immediately qualify for benefits. If such a conspiracy were to succeed, it would prove a profitable venture as benefit payments would be paid in an amount ten times greater than the tax paid on the fictitious wages which would be used as the basis for paying the fraudulent benefit claims.*"

District supervisors were directed to take the following steps to guard against such fraudulent activities:

1. The district supervisor should investigate immediately the request by a "new" employer for an account number under which to report wages and pay unemployment compensation taxes. This investigation should be conducted by the supervisor personally if the case involves one or more base-year quarters and the business or its location is not familiar to the district supervisor.

2. When the Form UC–1 (Employer's Initial Statement) is received for the establishment of a new account which does not involve a base-year quarter, it may be delegated for investigation to the field accountant responsible for the territory in which the alleged employer's place of business is located.

3. The district supervisor should review immediately with the county supervisor any situation where an employer suddenly decides on his own initiative to file a "cash" quarterly report as a replacement for a previously filed quarterly report which had indicated no employment Another fraudulent advantage which may be gained by this device is the "filling in" of a gap in the period or periods necessary to make the employer eligible for a reduced unemployment compensation tax rate.

In controlling the latter activity, a provision in the Pennsylvania Unemployment Compensation Law which is of great value is the requirement that a $5 penalty must be paid by an employer if he is late in filing the employer's quarterly tax report. Under the law, the penalty may not be imposed until 30 days after the employer receives a written notice of his subjectivity and liability for filing and paying quarterly tax reports. To be approved, the new Employer's Initial Statement requires information regarding the date and method by which the subjectivity notice was delivered by the field accountant. This procedure makes certain that a field accountant has communicated personally with the new employer and investigated the activities of the new business, its operations, and its accounting records.

To enforce the operation of this control, whenever an Employer's Initial Statement comes directly to the central office without any indication that the notice of subjectivity had been delivered by the appropriate local field accounting office, the Statement is returned to the local office responsible for the county where the business enterprise is located so that the necessary review, verification, and delivery of the subjectivity notice can be made. Unless this procedure is carried out, the central office will not establish an account for any instate reporting employer This verification process for out-of-State employers is performed through correspondence and the cooperation of the Field Ac-

*Executive Assistant to the Executive Director, Pennsylvania Bureau of Employment Security.

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counting Service of the State in which the employer is located.

Auditing Procedures

In the course of the field accountant's verification of the new employer's business activity, an immediate audit is required whenever the new employer's records indicate that a base-year quarter is involved. This requirement is based on the premise that persons disposed to perpetrate a fraud are usually impatient, and would attempt to set up base-year wage credits for periods early enough to enable them to file fraudulent claims for benefits immediately.

It is impossible to compile a statistical record of fraudulent claims that have been prevented by this procedure, but we do know of many instances where its use forestalled the establishment of new employer accounts. In such situations the agency invariably received the same "explanation" from the alleged employer—that is, he had planned to go into business but for one reason or another was unable to get his operations started. The falsity of this explanation is revealed by the fact that the employer in his initial statement reported the date wages were allegedly first paid to his employees. If the business venture never reached the point of getting started, how could such a date be reported? It is reasonable to assume that the intention was to file fictitious wage records for the purpose of filing fraudulent claims for benefits.

The audit and observation of a business activity is concluded with the completion of an audit questionnaire. The field auditor must make certain that the employer understands the provisions of the Pennsylvania Unemployment Compensation Law with respect to the information furnished him by the Bureau as well as the information and data that he in turn must furnish the Bureau. Although most employers are honest and intelligent, they need to be reminded from time to time that it is a serious offense to avoid giving information required by law or to give information which is erroneous, inconclusive, or misleading.

It is difficult to ascertain the cost of this function because it is so thoroughly integrated into the total employer audit function. During fiscal year 1963, Pennsylvania conducted 6,700 "new" employer audits at a cost of $115,000, but how much of this amount pertained to the extra time spent in the prevention of fictitious wage records cannot be measured accurately.

A Case in Point

A recent overpayment case illustrates how this procedure can also be used as a detection method when applied by experienced field investigators. It involved a family of three who set up "dummy" officers in some of their firms and manipulated their payroll records so that fraudulent claims for benefits could be filed. Unemployment compensation taxes were paid on the fictitious names, the "paper" employees were then fired from the nonexistent jobs, and benefits were collected. Over $8,000 in fraudulent interstate benefit claims was collected in three States. Pennsylvania acted as the agent State in this case, and the overpayments were uncovered by the Claims Investigation Section of the Field Accounting Service in Philadelphia.

The field accounting investigators conducted a persistent and skillful investigation and adapted procedures to the exigencies of this case which began with an anonymous letter and required the checking of 21 different companies. It was necessary to study the operations of these companies from production to distribution as well as their payroll records and procedures in order to determine who were the "paper" employees. During the course of the investigation, conferences were held with Internal Revenue agents, several Post Office superintendents, Claims Investigation supervisors of the three States involved, and the State Attorney General's office when the case was ready for prosecution. It ended with a court order requiring full restitution, the payment of fines, and imposition of jail sentences. Widespread publicity resulted.

This case confirmed another fact stated succinctly by the supervisor of the Philadelphia Investigators: "It's the Investigator that makes the difference."

High-Cost Accounts Studied

Another procedure in Pennsylvania's arsenal for detecting and preventing fictitious wage records was developed in 1960 as a byproduct of the revised experience rating formula for determining contribution rates. Beginning that year, a record of the actual cost of benefits charged to each employer's reserve account became available, and a study was made to determine the factors which cause high benefit charges to certain employer accounts. Approximately 17,000 accounts were

selected with high benefit charges (8 percent or more expressed as a percentage of the employer's annual payroll).

Among other findings, the study showed that companies owned and operated by family related individuals comprised a large proportion of the high-cost accounts.

As a result of this study, the agency took the following actions:

1. Subjected to early audit the employers' accounts showing high benefit costs.

2. Recommended to the legislature remedial legislation, which was passed in 1961, to exclude from coverage the wages paid to members of a family unless the tax imposed by the Federal Unemployment Tax Act is payable with respect to such wages.

A modification in the audit procedure of high-benefit cost accounts was arranged recently by furnishing the field accounting offices with copies of the annual contribution rate notices which are mailed to employers. Each of the field accounting offices uses the information on the rate notice, which includes the amount of benefit charges, as one of the means for selecting high-cost accounts to be audited. As a further check, the claims clerk in every local office is cautioned to be on the alert to identify claimants who work for employers who are their own relatives. When a similarity appears between the name of the claimant and of the employer or of the person who signed the separation notice, the case is referred to the Field Accounting Service for investigation.

The Bear Ran Over the Mountain . . .

Texas Looks for Fictitious Employers

*W. T. Wright**

IN THE song-story, the bear ran over the mountain to see what he could see—and saw only the other side of the mountain! In 1963, the Texas agency ran over the mountain too—and, like the bear, saw only the other side of the mountain.

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But it was alarm, not just curiosity, that prompted our look. Learning that another State agency had uncovered a major case of fraud involving a fictitious employer,[1] we decided upon a special investigation to make sure that Texas did not have a similar and larger undiscovered case of fraud.

In 1963, the agency made a study that was designed to ferret out claim fraud originating with fictitious employer accounts and wages. Our investigation was a preliminary check of a sampling of employers which was not exhaustive, and which was limited to some degree by budgetary considerations. Although we found no fraud, we did get some exercise and reassurance, as well as experience that will be of benefit to us and perhaps to other agencies. This sample study marked the beginning of an organized fraud detection effort on the employer side of our program.

Benefit Wage Ratio Check

Texas uses the "benefit wage ratio" (benefit wages, or chargebacks, divided by taxable wages) in its experience rating formula. Thus, it follows that an "employer" who reports fictitious wages to be used as wage credits for fictitious or fraudulent claimants will have an extremely high benefit wage ratio. The ratio may be 100 percent or more, since all—or a high percentage—of the "employees" for whom he reports wages will file claims resulting in chargebacks to this fictitious employer.

Of the 78,000 employers who had ratios which generated actual tax rates in excess of 2.7 percent, which is the statutory maximum in Texas, we selected a sample of 7,700 employers, using machine methods. From the 7,700 employers, we eliminated those with benefit wage ratios below 35 percent—an arbitrary percentage based on the assumption that a potential swindler would not pay taxes on wages which were not to be used as wage credits. Also employers who were currently delinquent for taxes or reports were eliminated,

[1] An examination of employer accounts begun by the California agency in December 1960 was initiated with the mechanical selection of the accounts with negative balances (those where the amount paid in benefits exceeds the amount paid in taxes). Mechanical application of several criteria to these accounts eliminated all but two of the cases, and careful pursuit of these eventually turned up the fraud. Two persons were prosecuted successfully on charges of grand theft and conspiracy. To detect and prevent this type of fraud, the agency developed an audit system that essentially calls for investigation of claims based on wages from employers with newly issued account numbers, and which are filed under recently issued social security account numbers.

since it was assumed that they would not be inviting investigation by failing to pay taxes. After the two elimination processes, there were 1,093 suspect employers remaining.

This suspect group was reduced further by eliminating 88 employers with headquarters in other States, whose records would not be readily accessible to us.

The remaining 1,005 employers' records were screened visually by central office personnel who recognized and eliminated 58 nationally known, reputable firms. With the field now narrowed to 947, it was physically and financially feasible to inspect the central office records of each of these employers. This process eliminated 207 employers for one or more of the following reasons: The employer's records had previously been audited by tax personnel; the employer had a past record of tax delinquency; the employer had filed protests against the payment of claims.

Once there were 7,700 in the sample; now there were 740. This list was then sent to field personnel (placement, insurance, and tax) at the local office level, with instructions to red-line those listed employers who were known to be in existence and to be operating as legitimate employers. Only 44 employers were still suspect after this final elimination.

The central office then made a very intensive study of the records of these 44 employers. This process involved combing through the employer's correspondence folder, the benefit wage charge-back file, and the files of claimants who filed as exemployees of this employer, to see if there were any suspicious omissions, coincidences, or similarity of names or addresses. Thirty-six employers passed this test.

With the original list reduced to eight suspects, field personnel undertook to track down and locate the employers in person and to verify the actual existence of a going concern. Besides interviews with the employers, this involved interviews with trade organizations, present or former employees, and any other possible sources of information. And now there were none—nothing but the other side of the mountain.

Evaluation of the Study

A critical analysis of the assumptions made during the study, and of the criteria and methods used, is now in progress. With this experience, the Texas agency hopes to blueprint a better approach. However, a number of observations can be made, and several questions raised at this time.

Among the observations are the following:

1. The Texas plan was geared to apprehend the completely fictitious employer and to uncover fictitious wages. Some better plan will be required to discover fictitious wages (perhaps for a relative) inserted within a list of actual wages.

2. Experience alone will demonstrate whether the initial screening should be pegged to a benefit wage ratio below or above 35 percent.

3. Greater use might be made of the technique of balancing State reports with Federal Forms 940 (Employers' Annual Federal Unemployment Tax Return) and 941 (Report of Wages Taxable Under the Federal Insurance Contributions Act).

4. The use of obviously incorrect social security account numbers could be a tip-off to fraud.

5. An abrupt termination of a claim series after failure to appear for a job interview might be a valuable clue.

6. Miscellaneous suspicious items which could help to detect fictitious employers include: Employer reports which show a mailing address (especially a post office box number) but not a physical address of the place of business; no printed letterheads in correspondence file; illegible signatures; no correspondence pertaining to audit adjustments; lack of business correspondence in employer's office files; lack of canceled payroll checks; payroll checks cashed with the employer; absence of claimant identification in addition to social security card.

Some of the questions that were raised included:

1. Is the assumption valid that a fictitious employer would never be delinquent for taxes?

2. Would a very clever swindler file a mild protest against payment of a benefit claim?

3. To what extent would other States be able to assist in auditing out-of-State suspects?

4. Would results justify some elaborate process of detecting and investigating all employers with the same address and all claimants with the same address?

In conclusion, did the 1963 test prove that there is no fraud in Texas? Certainly, this would be an unjustified conclusion. Perhaps failure to find fraud simply showed that we need to be better investigators or that Texas swindlers are very hard to catch. But we did take a look at the other side of the mountain and found no fraud.

Allowances for Dependents in Maryland

*William J. Lanahan**

THE Maryland Unemployment Insurance Law provides allowances of $2 weekly for children, stepchildren, and legally adopted children of an unemployed individual who was the principal support of such children at the beginning of his or her benefit year. No more than four children can be claimed, and the children must be under 16 years of age. Once the allowance for dependency is established, it remains fixed for the duration of the benefit year. These are the basic legal provisions which, at first sight, appear clear-cut and simple to administer. However, qualifications to the basic law and factual situations give rise to numerous administrative difficulties.

The Unemployed Father

The father, stepfather, or adoptive father residing in the home is presumed by law to be the principal support of the child, and this is the situation in the majority of cases. An unemployed father is questioned regarding his dependents at the time he files his initial or original claim, and the answer is recorded. If the claimant at this time has acceptable proof of birth and relationship, the verification is effected immediately; otherwise, he is instructed to being the required proof when he files his first continued claim. A birth certificate, a certificate of infant baptism, a notification of birth registration, or adoption papers are the only accepted forms of evidence. In most instances, one of these suffices to prove relationship as well as age but not always.

There are cases where the claimant's name differs from that of the child due to either a stepparent relationship or an illegitimacy. Where remarriage has taken place, broad discretion is given the claims examiner to accept the simple explanation of the claimant, which is recorded briefly on the dependency form, or to require proof. Where illegitimacy is involved, proof is almost always required. Sometimes the long-form birth certificate, naming both parents, is sufficient or a court decree requiring financial contributions or receipts for such contributions is accepted. It has happened that a male claimant has claimed four dependents and produced notifications of birth registrations showing four different names, perhaps with the birthdates only 5 or 6 months apart. Such dependency claims are disallowed, subject, however, to acceptance if probative evidence is submitted later. Usually, however, the effort necessary to gather the required proof is a deterrent to continuance of the claim, and a redetermination is not sought. With female claimants the problem of relationship, in cases of illegitimacy or remarriage, is less because the child's name may be the same as the mother's maiden name or her name by a previous marriage.

Time Limitations

Two time limitations are imposed on allowances for dependents under the Maryland law. First, there is the actual claim for dependents' allowance or declaration that the claimant has children under 16. This must be made at the time of filing (1) the original claim or (2) the first compensable claim. There is no exception to this limitation. Many of the adjudications made by claims examiners on matters of dependents' allowance are concerned with the question, "Did the claimant make a timely declaration of dependents?" To prevent time-consuming and unnecessary interviews, it is policy on all claims to indicate the dependency situation. The second time limit is the requirement that proof be submitted within 30 days from the filing of the first compensable claim. By regulation of the Department, some variation is permitted in the application of this rule depending on the facts. Many times an individual is on a short temporary layoff and the visit to the local office to open an initial claim is the only visit in that claims series. The claimant does not file a first compensable claim in person, but by mail, as he has returned to work. No proof of birth is submitted with the mail-in claim. At some later date, long beyond 30 days, the same claimant reopens his claim and visits the office to file continued claims. Regulations permit submission of proof of dependency within 30 days of the date of filing the first compensable claim in the second claims series; however, the dependents' allowance is ef-

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fective only as of the date of the first claim in the second series. It is not retroactive.

Safeguards Against Conflicting Claims

Only one parent may claim the allowance, and once it has been allowed no other person may claim within the same benefit year. There have been few instances of conflicting claims, and almost all of these involved divorced or separated persons or cases of illegitimacy. Recently a woman claimed dependents' allowance and proved conclusively that she was the principal support of the children. She was separated from her husband. Under questioning, she indicated that her husband was unemployed at the present time. The records showed that 6 months earlier he had established his claim and was granted the dependents' allowance. At that time, he and his wife were living together. It was necessary to disallow her claim.

The principal safeguard to prevent duplication of dependents' allowances is careful questioning when the claim is filed. Punched cards, Forms DES–275, are maintained in alphabetical order for all dependents' allowances which have been established. The form bears the name of the spouse, as well as the social security account number, when it can be obtained. It has not seemed practical to attempt a continuous screen of all claims against the possibility of a spouse's also being in receipt of the allowance. Occasionally, a domestic tiff or late alimony payment will bring information that an ex-husband is duplicating his wife's claim. The most recent such allegations upon investigation were unfounded and seemed to be mere harassment.

Who Furnishes Principal Support?

The question of principal support of children is the subject of most determinations made by claims examiners in relation to dependents' allowances. The claimant is unemployed at the time of making his claim, so a reasonable period of time prior to the current period of unemployment is used in reviewing the facts. The law presumes that a husband living in the home with his children is the principal support, although it is subject to rebuttal. Where the father is disabled or can be proven a ne'er-do-well or irresponsible person, the mother may be granted the allowance. Such proofs as medical reports or records are usually sufficient, and affidavits of responsible persons in the community are sometimes accepted to establish the facts. As in the question of relationship, the chief problems requiring a variety of proofs arise where the parents are not living together. No rule of thumb has been set to determine what constitutes principal support. Under such circumstances, the claims examiner makes his subjective decisions and needs to exercise the utmost skill in developing facts and evaluating the situation. Documentary evidence of court-ordered payments are indicative but not conclusive. The actual financial contribution is not paramount in determining principal support since there are other factors to be considered, such as composition of the household, sources of income other than the claimant's used in maintaining the household, the mother's earnings, and age of the child. For these questions, no documentary proof is required. A review of the claimant's earnings record often challenges the truth of his allegations of support. Admission by a claimant that his children are the recipients of public welfare funds is a strong argument against his claim for the allowances.

When the claimant is a female, every effort is made to learn the husband's name and social security account number which is screened against the claims files in every instance. Little if any evidence of probative value can be adduced in such cases, but as a deterrent the claimant is required to sign on the dependents' allowance form a resume of the facts she has related. The regular weekly benefit is paid pending the presentation of proof; therefore, it is frequently necessary to issue adjustment checks.

In no instance can a claimant receive more than 26 dependents' allowance payments even though, due to partial claims, the claimant receives more than 26 weekly benefit payments. Under an amendment to the law, effective June 1, 1964, the maximum weekly benefit amount is $46, regardless of the dependents' allowance. Thus, a man with a weekly benefit amount of $46 would not receive dependents' allowance for any week for which he filed a total claim. When a partial claim is filed, the dependents' allowance will be added, but in no instance can the total exceed the $46 limit. Unchanged by the new law is the requirement that unless an individual qualifies for at least $1 of his basic weekly benefit, the dependents' allowance will not be paid for that week.

The dependents' allowance once awarded to a claimant remains fixed for the duration of the benefit year. Birth or death of a child or children,

attainment of age 16, or separation of the parents does not increase or decrease the allowance. The death of the qualified claimant alone terminates the allowance and permits the other parent to file a claim for dependents' allowance.

Despite the impossibility of obtaining documentary evidence to support allegations in so many areas affecting eligibility for dependents' allowance, instances of fraud or duplication of claims have been infrequent. Good factfinding, sound evaluation of immediate situations, and commonsense have made the administration of the dependents' allowances program workable and comparatively free from abuse.

Issues Reflected in Recent Appeals Decisions*

Suspension From Work

THE CLAIMS examiner again centered his attention on the claimant. "You say, Mr. Jones, that you haven't been discharged but just suspended for all of last week and this week." "That's right," the claimant replied. "That's the company rule for unauthorized absences. However, I would just about as soon find another job anyway."

A separation from work that is not for lack of work but at the same time is not a voluntary leaving or a discharge can sometimes represent a puzzle for the claims deputy. This is especially true since these suspensions commonly occur as a form of discipline usually called a disciplinary suspension or a disciplinary layoff. For this reason, the deputy may find himself considering facts that ordinarily require interpretation in considering whether or not a discharge was for misconduct connected with work. Many States have by statute decreed that a disciplinary suspension is equivalent to a discharge and is to be considered under the same provisions. Seventeen States, however, have no specific provision for such suspensions and must interpret their law to provide for the circumstances that arise. Some suspensions are equated with discharge. Some with voluntary leaving and different theories are applied in determining the claimant's status during suspension.

A March 1963 decision (No. 62–4694); CCH Calif. par. 8034.07, BSSUI, VL–495–177) of the California Appeals Board concerned an automobile production line worker who, in violation of a company rule regarding job-assignment complaints, left his post in order to complain to a foreman about job difficulty, and was replaced on the line. Subsequently, he received a 30-day suspension, following which time he returned to work. In holding that the claimant was disqualified, the Appeals Board said, in part:

> * * * the employment relationship was not terminated by the disciplinary layoff; at the end of the period the claimant was to, and did, return to work. Thus, the claimant was not discharged by the employer.
>
> On several occasions, we have considered the question involved in disciplinary suspension imposed by an employer. In benefit decision No. 5436, the claimant was placed on a disciplinary layoff of 2 weeks by his employer because he was involved in an accident. We held that he was not subject to disqualification under section 1256 of the code because the disciplinary layoff did not constitute a voluntary leaving of work or a discharge. We arrived at the same conclusion in benefit decision No. 6558 involving a longshoreman who was suspended by a joint labor relations committee for a period of 50 days when he was found guilty of pilfering.
>
> In benefit decision No. 6618, we reconsidered these decisions in the light of the decision rendered by the District Court of Appeals in *Douglas Aircraft Company, Inc.* v. *California Unemployment Insurance Appeals Board, et al.*, (1960) [BSSUI, VL–495–81; hearing denied by the California Supreme Court on July 15, 1960]. We held that the provisions of sections 1256 and 1030 of the code were applicable in that case although the employer-employee relationship had not been severed.
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> * * * In the present matter, the claimant was fully aware that disciplinary action would be taken for violations of the employer's rules since he had been previously subjected to discipline. He does not plead ignorance of the shop rule * * * which he violated, and it was shown that the rule was posted in the plant. Under these cir-

*Prepared in Division of Determinations and Hearings, Office of State Operations, Unemployment Insurance Service, Bureau of Employment Security.

cumstances, we conclude that the claimant willfully violated the shop rule. Since his loss of employment thus was attributable to a violational act, he was voluntarily unemployed. * * * Since no good cause has been shown, we hold that he is subject to disqualification under section 1256 of the code.

Accordingly, the claimant was disqualified for having left work voluntarily, without good cause.

A South Carolina appeals tribunal decision held that a suspension was tantamount to a discharge. This case (Appeal Tribunal decision No. 64–A–236, February 14, 1964, unp.) involved an electric company lineman who had been suspended for an indefinite period of time, because of his arrest in connection with an alleged offense taking place away from his job. In deciding that the claimant had not been discharged for misconduct from his most recent work, the Appeal Tribunal said, in part:

Such a suspension for the purpose of unemployment compensation is the same as a discharge. The South Carolina Unemployment Compensation Law provides for a disqualification only where a discharge is for misconduct connected with the claimant's most recent work. Since the alleged misconduct in this matter was not connected with the claimant's employment, * * * the separation does not fall within the disqualifying provision of the Act.

A Texas decision involved a suspension from work in which both the claimant and his employer insisted that no separation from work had occurred. A Texas referee based his decision (Appeals Referee Decision 8492–AT–63, December 27, 1963, unp.) upon a rationale that found the circumstances of the suspension the same as a dismissal. The claimant was an outside salesman whose driver's license was suspended because of a charge of driving while intoxicated during off-duty hours. When the employer learned of this, he temporarily suspended the claimant from his work. In explaining his decision, holding that the claimant had been discharged for misconduct connected with his work, the referee stated:

* * * An individual shall be deemed "totally unemployed" in any benefit period during which he performs no services and with respect to which no wages are payable to him.

While the claimant and the employer in this case contend that the claimant has not been discharged or otherwise separated from his last work, but has merely been placed on an unpaid leave of absence, the evidence reveals that on October 31, 1963, the claimant ceased to perform services and ceased to receive wages; and that this happened at the instance of his employer.

I find that the claimant was discharged from his last work * * * following the suspension of claimant's driver's license in connection with claimant's being charged with driving while intoxicated, a charge of which the claimant was later found guilty. While the record shows that this violation of law did not occur during the time claimant was on duty, claimant could reasonably foresee that his job would be jeopardized by the loss of his driver's license. His doing an act of which such loss was a foreseeable consequence must therefore be deemed misconduct connected with the work.

In an Arkansas decision claimants were suspended from their jobs when they were arrested and charged with willfully damaging property belonging to the employer. After conviction in municipal court, the workers were advised that they were suspended by the employer until the decision of the circuit court to which they had appealed. That court held the workers to be not guilty. Having determined that there was no basis for a determination of misconduct, the court found it necessary to consider the status of the claimants in view of their suspension. To this point the court in its decision (*Arley G. Turner, Clarence M. Renfro, Billy M. Jackson, and Edgar Tweedy* v. *Ballman-Cummings Furniture Co.*, Arkansas Circuit Court Crawford County. No. 6967A, May 23, 1962, CCH-Ark. para. 8115) made this explanation:

The only question here involved is: was the employer-employee relationship severed during the suspension? Or, stated another way, was he unemployed during this suspension?

After a consideration of the record and testimony, the majority of the Board of Review finds that the claimant was not unemployed, as contemplated by the act, during the time of the suspension.

This determination raises a question of law. Section 2(7)(m)(1) defines "unemployment" for the purposes of the Act. This Act provides: An individual shall be deemed "unemployed" with respect to any week during which he performs no services and with respect to which no wages are payable to him * * *.

The undisputed evidence is that these petitioners were suspended from their employment by their employer pending the outcome upon a trial of the case in the Circuit Court, after which trial they were returned to their employment and to their old jobs.

83 C.J.S., page 926, defines suspension as follows: The word "suspension" is ordinarily defined as meaning a temporary stop; a temporary stop of a right; a temporary delay, interruption, or cessation; the ceasing or causing something to cease from operation temporarily; intermission; stay. This definition has been approved by the Supreme Court of Arkansas in the case of *Vaughan* v. *City of Searcy*, 199 Ark., 586.

Under the statutory definition of "unemployment" and the legal definition of "suspension," in view of all the

facts in these cases, the petitioners were temporarily suspended, awaiting the outcome of a charge against them, which charge was made without evidential support. They became unemployed by no reason of any fault of their own, but were laid off temporarily by the company without reason connected with their employment under the proof, and returned to work upon a determination by the Courts of the falsity of the charge.

On this basis the court reversed the decision of the Board of Review and allowed benefits.

A similar result was achieved in a Wisconsin decision where there is a specific statutory provision for disqualification when a suspension has been made for misconduct connected with work. In this case the decision of the appeal examiner in Wisconsin, which was affirmed by the Industrial Commission of Wisconsin (Hearing No. 49733, December 19, 1963, unp.) involved a scrap winder for a copper manufacturer who was charged with a criminal offense when, during the course of his visit with a girl of his acquaintance, she and a police officer sustained bullet wounds. The claimant was detained from March 27 until July 25 when he was released from custody on bail of $25,000. When he returned to the employer's plant, he was advised that he was suspended pending his trial.

The appeal examiner explained as follows:

The offense with which the employe was charged and for which he was arrested was not related to his performance of his job duties, although it did result in his absence from work. The commission has held that absence from work for an appreciable period due to incarceration pursuant to a conviction for a criminal offense is misconduct connected with employment since it is an absence from work for an invalid reason. In this case, the employe, at the time of the suspension of his employment and thereafter to the time of the hearing, had not been convicted of any criminal offense and therefore his absence from work at this time cannot be deemed to be for an invalid reason. The evidence does not establish that his conduct in absenting himself from work between March 27, 1963, and July 29, 1963, was such as to evince a willful and wanton disregard of the employer's interests.

A disciplinary layoff was involved in a decision of the New Jersey Board of Review (BR 57555–C, January 2, 1964, unp.) affirming a decision of the Appeal Tribunal (AT–63–10474, December 12, 1963). The claimant had been absent from work under conditions that were in controversy. The claimant contended that he had been ill and that the absences had occurred after he had received medication from the company nurse. When the company physician examined him after he had returned, and refused to excuse the absence, he was given a 2-week disciplinary layoff. The New Jersey decision recognized that the layoff was temporary but made no special comment about the circumstances. Instead, it decided the case under the section of its law relating to a discharge for misconduct connected with work. As to the decision, the Board found evidence that the claimant's absence was, in effect, due to illness and that, since there was no misconduct, no disqualification should apply. The claimant was held eligible for a week during the period of suspension when he met the other requirements.

One possible inequity that may occur when suspension is held to be the same as a discharge either by statute or interpretation is that the resulting disqualification may exceed the period of discipline assessed by the employer. In a slightly different way the interval of suspension was a factor in a Hawaii Referee Decision (No. 154–61, July 21, 1961, CCH-Hawaii, par. 8022.06). In this case an assistant manager of a bar was suspended for 1 week after he was involved in a fight with the bartender. The referee held that the claimant was ineligible for benefits during the week of suspension and explained:

When an individual is suspended for misconduct connected with his employment for an indefinite period he is considered discharged for misconduct and becomes eligible for benefits only after serving the disqualification period imposed. However, where an individual is suspended for misconduct for a period of not more than 7 days, as in this case, the Bureau has established as a matter of policy that he has not been discharged and is still employed. On this theory the claimant who is suspended for less than 7 days and who will return to his work at the end of the suspension would not be attached to the labor market and would be denied benefits because he is unavailable.

It is evident from the decisions that the status of disciplinary layoff or suspension creates different kinds of problems for claims adjudicators. Although not illustrated specifically in these cases, the statutory provisions which give disciplinary suspension the same disqualifying effect as a discharge do not solve all of the problems. Where the factual circumstances leading to a suspension result in no disqualification, the claimant's eligibility status must be considered in the light of the terms of the suspension and the claimant's circumstances during the suspension. Should all disciplinary suspensions be treated as if they are discharges, or may this lead to inequities in which

disqualifications affect later periods of unemployment that are not related to the suspension? Should the omission from the statute of any mention of disciplinary suspension be interpreted to imply that no disqualification is intended in such cases? Or may a case-by-case approach, in which suspension may be given the effect of other forms of separation, provide equitable results?

Unemployment Insurance Decisions*

Innocent Bystander?

Delaware.—An apartment house charwoman was discharged as an accessory to a fight between two other employees. Although she had been warned by management to stay at her station she went to the scene of the fight and stood so close that one of the participants grabbed her broom and used it in the fight. The referee decided (Appeal Docket No. 13564, February 20, 1964) that the claimant should be disqualified because of the discharge. The referee noted "Experience teaches us that a fight can be contagious. * * * Many a fight would never become serious if spectators would stay away from the scene of the fight."

Free Enterprise

Mississippi.—A laborer left his job to become self employed. He operated a fruit stand for about 1 month and then hauled and peddled fruit for approximately 3 months until he gave up the venture. The court in its decision (*Houston W. Medlin* v. *Mississippi Employment Security Commission*, Circuit Court of Union County, Miss., No. 2947, February 1964) pointed out the claimant genuinely went into business for himself, actually renting a building and making it operable, buying a truck and actually making a profit from the year-round business which he had entered. The court further noted that "this great country was founded on such free enterprise and individual initiative and concluded that the claimant did not leave his employment voluntarily without good cause."

Conflict of Interests

New Mexico.—Having been elected as one of the Pueblo sheriffs, a laborer's absence from work for 3½ days in the first 2 weeks in January resulted in his dismissal. His term as sheriff is for 1 year. He receives no wages or other remuneration for his services as sheriff. Noting that he was subject to call at any time for his duties as sheriff and that he had made three employer contacts for work in 5 weeks, the Appeals Referee concluded (Appeal No. 7853–AT, March 3, 1964) that the claimant was unemployed but ineligible because he was not available for work.

Super Service

New York.—A waiter with 43 years of experience envisioned his responsibility to serve food as soon as it was ready so "it would not get dried out or overcooked while waiting." At a lunch club where he last worked for 16 months he was warned that some customers did not want fast service because they were involved in business discussions. When a customer complained about his fast service and 2 days later he again served customers before they were ready, he was discharged. A decision of the New York Unemployment Insurance Appeal Board (Appeal No. 109, 629, February 17, 1964) upheld the referee's decision that: "Claimant provoked his discharge. This is equivalent to voluntary leaving of employment without good cause under the Unemployment Insurance Law."

Driving Conditions

Ohio.—An Ohio truckdriver drove trucks hauling bulk material for a trucking company and received that company's checks for 14 weeks. He was then asked by the owner's son to drive a particular truck that was similar to the company's trucks except that the words "leased by" appeared above the name of the trucking company. For the remainder of the year he drove this truck and was paid by the check of the son of the trucking company owner. The truck had been purchased by the son with its title in the name of his mother, the company owner's wife, because the son was a minor. The trucking company directed all the uses of the truck. The son was required only to keep it in operating condition. An Ohio court decision (*Donald E. Brooks* v. *State of Ohio, Board of Review, Bureau of Unemployment Compensation*, No. 1592, November 20, 1963) upheld an earlier decision of the Board of Review that the claimant failed to meet the eligibility requirement of 20 weeks of covered employment because his work for the son of the company owner was for a "broker" who did not have the 3 or more employees that would have made him subject to the Ohio Unemployment Compensation Law.

Agreed Termination

West Virginia.—A 10-year employee of a brassiere manufacturer returned to work in November after a layoff of about 1 month. As a condition of the reemployment the claimant signed a statement that she would resign if she could not meet her production on the different kinds of machines to which she was assigned. Since the claimant was unable to make her production after a month she resigned. The Examiner for the Board of Review held (A. Case No. 53514, March 9, 1964) that the claimant's leaving under these conditions constituted a discharge but not for misconduct.

*Prepared in Division of Determinations and Hearings, Office of State Operations, Unemployment Insurance Service, Bureau of Employment Security.

Trends in the Economy*

THE 1964 second quarter started with the Nation's business activity continuing to show robust growth. Most key economic indicators advanced to higher levels in April, and weekly reports in early May revealed an extension of the uptrend. Industrial production set a new record for the sixth consecutive month, and employment rose better than seasonally for April. The seasonally adjusted rate of unemployment, however, at 5.4 percent of the civilian labor force, was the same as in the two prior months.

Dominated by gains in the output of steel, autos, and business equipment, the *Nation's industrial output* in April advanced by the largest amount in nearly a year; the industrial production index climbed to 129.6 percent of the 1957–1959 average from 128.2 percent in March. The advance—the largest gain since a 1.3 point rise in June of 1963—carried the seasonally adjusted index to a new record for the sixth consecutive month. Last April the index was at 122.5 percent. The over-the-month rise was widespread; most sectors, including mining and utilities, showed gains. The index for manufacturing advanced from 129.2 percent in March to 130.2 percent in April with both durable and nondurable goods sharing in the increase.

Steel production rose again in April, and early May figures suggest a further increase for that month. April's steel output, at 10.5 million tons, was some 58,000 above the March tonnage, but under the 10.7 million tons produced in April 1963. However, about this time last year, steel users were stockpiling heavily as a hedge against a possible strike; currently, no such threat is imminent. During the first half of May, weekly steel output averaged 2.5 million tons, and the rise in the week ending May 16 marked the 17th increase in production in the last 20 weeks.

The performance of the automobile industry continues to add push to the Nation's economy. In April, both production and sales of U.S.-built autos set records for the month. *Autos assemblies* during April totaled 786,200 cars, 14 percent above a year earlier and the second largest monthly production figure since 1955. Thus far in 1964 (January through April), a total of 2.9 million cars has been produced—11.5 percent above the year-earlier period.

Businessmen have again revised upward their *capital spending* plans for 1964, according to McGraw Hill's survey results published in April. Indications are that outlays for 1964 will rise to about $44 billion—12 percent above 1963 expenditures. Manufacturing companies plan an 18-percent rise, with auto and steel providing the real drive. Auto manufacturers have budgeted a 52 percent over-the-year increase and steel producers a 48-percent rise. Railroads, instead of a cut, now plan a 29-percent upswing. Aerospace is the only manufacturing industry that intends to cut capital investment in 1964. This small reduction (amounting to about 2 percent) reflects a projected decline in defense procurement. Although the bulk of capital outlays will go for modernization, many companies are planning to spend for expansion. New facilities are expected to account for 36 percent of all capital spending in 1964, compared with 32 percent in 1963 and 30 percent in 1962.

Construction expenditures in April edged up from March's record level. Outlays during the month ran at an annual rate of $66.8 billion (seasonally adjusted)—about $3 million over the revised March figure and 12 percent above the year-earlier volume. Private construction spending in April was up 10 percent from both the month before and year-earlier figures; much of the gain from March occurred in new private nonresidential construction. New public construction outlays in April were higher by 13 percent from March and 17 percent from a year earlier.

Retail sales in April, at $21.4 billion (seasonally adjusted) compares with the $21.3 billion figure in March. The April sales total (adjusted to reflect Easter's earlier occurrence this year) was up about 6 percent from a year ago—nearly the same over-the-year percentage gain as recorded in March. A small increase from March occurred in both the nondurable goods and the durables sectors. At $14.4 billion, sales in the nondurables sector included small gains in the apparel and the general merchandise groups. Sales in the food

*Prepared in the Office of Program Reports and Research, Administration and Management Service, Bureau of Employment Security.

group showed a decline. In hard goods, sales were up by 1 percent from the March figure to $7.0 billion, with all major lines except the lumber-hardware-farm equipment group contributing to the gain.

On a daily sales basis, *April auto sales* set a record for any month in auto history as 28,900 cars were sold per selling day; the previous record of 28,700 sales per day was set in October of 1963. The April monthly total sales figure, at 751,000 U.S.-made cars, showed a 7-percent gain from a year ago. New car sales in early May continued to move at a brisk pace, as sales in the May 1–10 period averaged 24,275 per selling day, or 1.5 percent above the early May selling pace of a year ago.

Employment Growth in April Larger Than Usual

Total employment in April was at a record high of 69.9 million for the month; up by 1.4 million from March and 1.8 million above the year-earlier figure. The gain from March was considerably better than usual for this time of year, with both the farm and nonfarm sectors sharing the increase. Farm employment picked up the slack caused by previous bad weather and rose to 4.4 million—about 400,000 above March. However, the volume was some 200,000 below a year earlier—evidencing a continuance of the long-term downtrend. Nonagricultural employment showed a gain of about 1 million from March, rising to almost 65.5 million. This rise, also better than seasonal, largely reflected an increase in the number of women working part time voluntarily. Employment of adult men also showed a sizable increase, while the gain for teenagers was somewhat less than seasonal.

Nonfarm workers on part time for economic reasons remained at 2.1 million in April, which was also about the same as a year earlier.

Nonfarm payroll employment totaled 57.9 million in April. Rising by one-half million from March—much more than is usual at this time of year—the April figure was 1.4 million above the year earlier. Seasonally adjusted, the level of payroll employment was the highest recorded for any month. The largest job gains—in construction and services—accounted for about two-thirds of the overall increase. However, the increase in employment in these two industry divisions was just about seasonal.

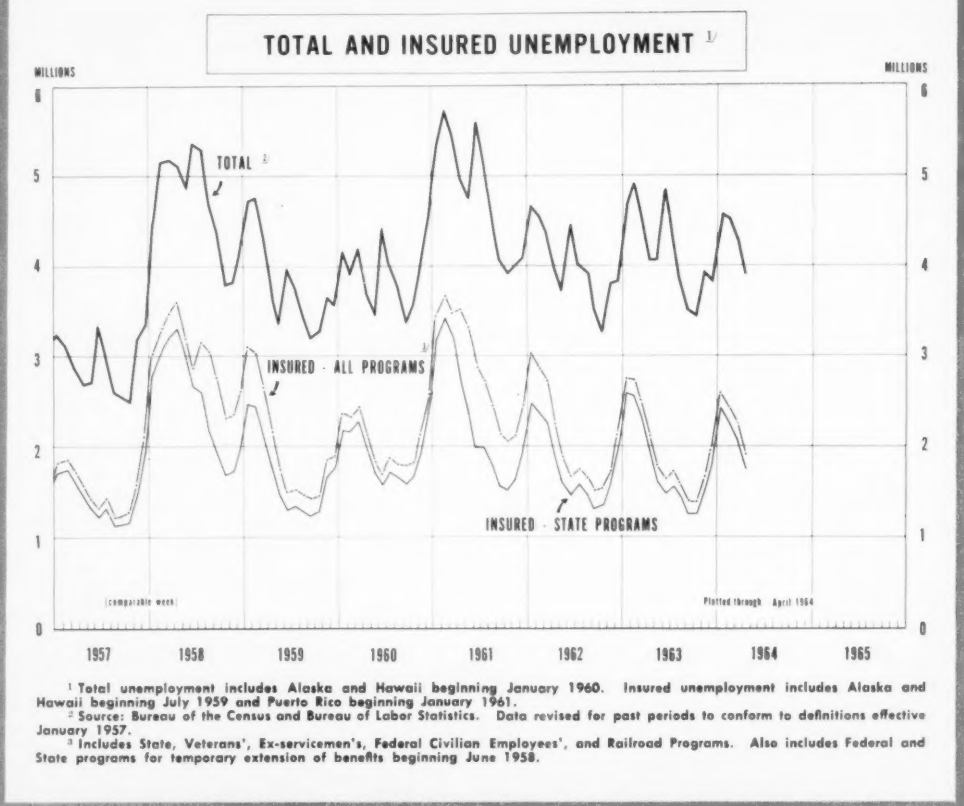
Trade employment increased more than seasonally—rising by 50,000 from March to nearly 12 million in April, although there is usually a sharp decline after Easter. Employment in manufacturing picked up during the month. The better-than-seasonal performance reflected high level activity in all five major metals and metal-using industries, including electrical equipment, which had been declining since mid-1963. On a seasonally adjusted basis, the primary metals group has shown steady job gains in recent months, and by April was back to the comparatively high employment levels registered in June and July of 1963. Reflecting continued strength in the auto industry, employment increases in transportation equipment have amounted to 50,000 since January. Manufacturing industries, as a whole, have reported seasonally adjusted employment gains totaling 165,000 over the past 3 months—135,000 was in the metals and metals-using sectors.

The factory workweek held at the high levels of March and February. The 40.4 hour average this April compares with 39.9 a year earlier. Although the average for all manufacturing was unchanged from March, the workweek was substantially longer in primary metals and transportation equipment—industries which also had large employment gains. Overtime averaged 2.8 hours in April, the same as in March. Hourly earnings of factory production workers edged up 1 cent from the preceding month to $2.52, and average weekly earnings rose to $101.81—up 41 cents from March and $4.45 higher than in April 1963.

Unemployment Declines Seasonally During April

Total unemployment declined seasonally by 400,000 from March to 3.9 million in April. The seasonally adjusted unemployment rate held at 5.4 percent of the civilian labor force for the third consecutive month; in April a year ago, the rate was 5.7 percent.

Unemployment was lower in April than in March for adult men and women but joblessness among teenagers showed a rise. Increases in the number of adult men and women finding jobs during the month were substantially above the number entering the labor force at this time. As a result, the unemployment rate for adult men moved down from 3.9 percent in March to 3.8 percent; for adult women, the April rate of 5.4 percent compares with 5.6 percent in the preceding month and 5.3 percent last April. On the other



[1] Total unemployment includes Alaska and Hawaii beginning January 1960. Insured unemployment includes Alaska and Hawaii beginning July 1959 and Puerto Rico beginning January 1961.
[2] Source: Bureau of the Census and Bureau of Labor Statistics. Data revised for past periods to conform to definitions effective January 1957.
[3] Includes State, Veterans', Ex-servicemen's, Federal Civilian Employees', and Railroad Programs. Also includes Federal and State programs for temporary extension of benefits beginning June 1958.

hand, the unemployment rate for teenagers rose to 16.2 percent from 14.2 percent in March, as a rise in teenage labor force entrants more than offset the number of young persons becoming employed during the month.

The April figures showed some improvement in long-term unemployment. The number looking for work 15 weeks or more dropped by 100,000, or 6 percent, over the month, although there is usually an increase at this time of year. Nearly three-fifths of the reduction was among those jobless 15 to 26 weeks. Compared with a year earlier, long-term unemployment was down by about 200,000. About three-fourths of the over-the-year decrease was among persons out of work 6 months or longer.

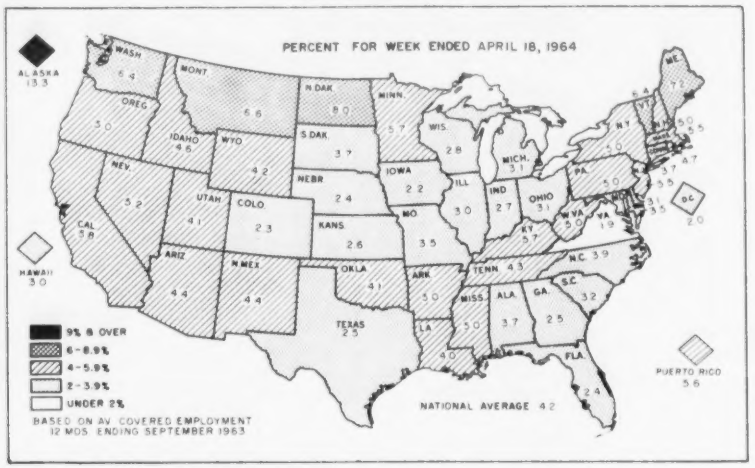
Insured Unemployment Also Declines Seasonally

At a weekly average of 1,755,400, insured unemployment under the State programs during April declined by some 295,000 from the March average. This was the first month thus far this year that the over-the-month decline has been only seasonal; in the prior months, the downtrend has been more than seasonal. April's adjusted insured unemployment was at a level of 1.6 million; last April, the figure was 1.7 million.

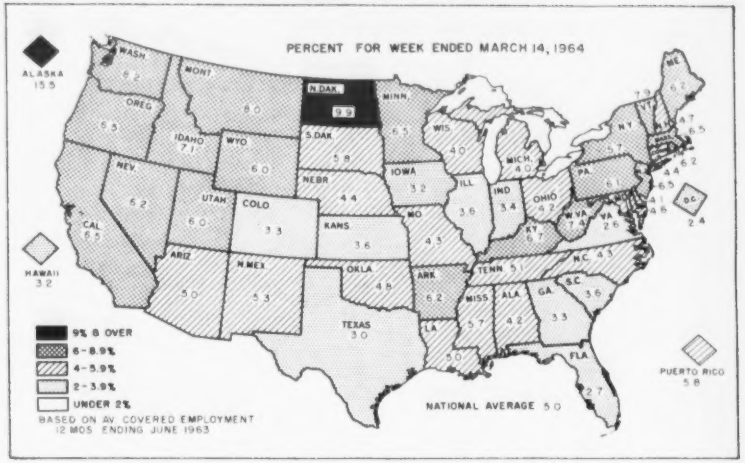
As usual for this time of year, improved weather conditions hastened the return of construction and other outdoor workers to their jobs. This, in addition to increased hirings in the primary metals and auto industries and in trade and services, was the

STATE INSURED UNEMPLOYMENT AS PERCENT OF AVERAGE COVERED EMPLOYMENT

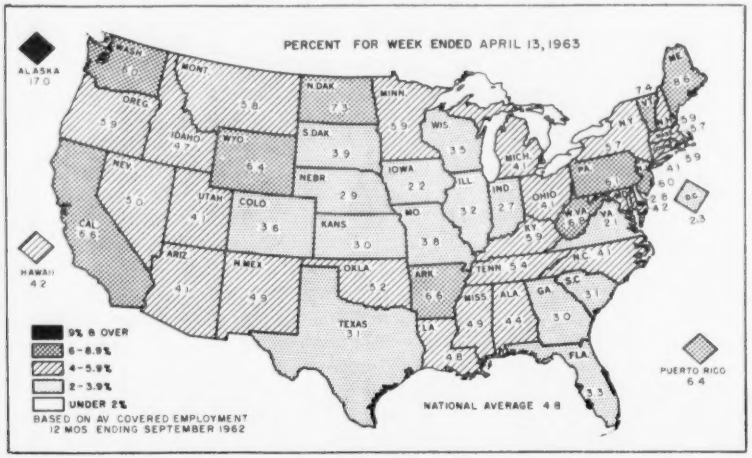
LATEST MONTH



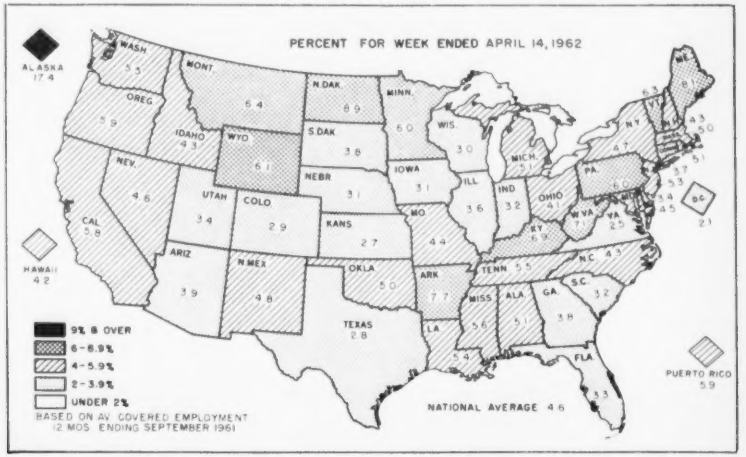
PREVIOUS MONTH



ONE YEAR AGO



TWO YEARS AGO



primary factor responsible for the over-the-month reduction in insured joblessness.

Only Maine reported more insured unemployment in April than in the previous month, and this increase was nominal. The largest reductions occurred in New York (30,100), Pennsylvania (23,700), Ohio (21,600), California (21,500), Illinois (17,100), Michigan (15,500), New Jersey (13,700), and Massachusetts (13,600). Five other States—Indiana, Minnesota, Texas, Washington, and Wisconsin—showed declines ranging from 6,900 to about 10,000. A large part of the decline in each of these States was attributed to a stepped-up pace in nonmanufacturing industries, notably construction, trade, and services.

At 4.2 percent, the April insured unemployment rate for the Nation as a whole was down from 4.9 percent in March and 4.7 percent last April. The highest rate occurred in Alaska—13.6 percent. Five other States—Maine, Montana, North Dakota, Vermont, and Washington—showed rates ranging from 6.3 percent to 7.6 percent. Rates of less than 2 percent were reported in the District of Columbia and Virginia.

Initial Claims Continue Downtrend

Initial claims filed in April averaged 246,000 per week—about 5 percent below the number in March. The decline—about seasonal—was attributed to fewer claims filed by workers from nonmanufacturing industries. Compared with a year earlier, the number of initial claims filed was down by 10 percent.

Unemployment Insurance Activities*

AFTER declining more than usual in February and March, State insured unemployment moved down by 295,000 in April to a weekly average of 1,755,400. The decrease was about seasonal, and brought the total to 163,000 below the year-ago figure. A further pickup in construction and other outdoor activities was the major factor in the April reduction, although the recall of workers in the trade and service industries also contributed to the downturn. Seasonally adjusted, the level of insured unemployment, at 1.6 million, was unchanged from March but was below the 1.7 million in April 1963.

Insured joblessness under the two Federal programs also declined during April. The average weekly number of unemployed exservicemen (UCX program) fell by 10,800 to 56,600, while the total of jobless Federal workers (UCFE program) was down by 5,600 to 32,000.

Nationally, the rate of State insured unemployment (not seasonally adjusted) declined from 5.0 percent in mid-March to 4.2 percent in mid-April. A year earlier, the rate was 4.8 percent. The mid-April rates were higher than the national average in 25 States, including the large industrial States of California, Massachusetts, New Jersey, New York, and Pennsylvania. Alaska had the highest rate in April (13.3 percent) and North Dakota was second (8.0 percent), followed by Maine (7.2 percent), Montana (6.6 percent), and Vermont and Washington (6.4 percent each). Rates of less than 3.0 percent were reported by 11 States, including Indiana, Texas, and Wisconsin.

Initial Claims Decline Seasonally

Under State programs, initial claims in April averaged 246,000—about 5 percent below the March average and 10 percent below the April 1963 figure. The decline from March which was about seasonal, was attributed to fewer claims filed by workers from construction and other outdoor activities, as well as some job improvement in the trade and service industries. Under the UCX program, initial claims averaged 6,000 per week—some 400 less than the March average. Jobless Federal workers filed an average of 2,500 claims per week in April—about the same number as in March.

Insured Unemployment Decline Widespread

Except for Maine and New Hampshire, insured unemployment declined in all States between mid-

*Prepared in the Office of Program Reports and Research, Administration and Management Service, Bureau of Employment Security.

Week ended	Initial claims [1]		Insured unemployment	
	1964	1963	1964	1963
March 7	271, 600	291, 300	2, 161, 500	2, 418, 400
March 14	265, 300	267, 900	2, 104, 900	2, 348, 100
March 21	248, 100	262, 700	2, 011, 800	2, 241, 500
March 28	248, 600	260, 300	1, 977, 500	2, 142, 600
April 4	264, 900	299, 700	1, 910, 000	2, 031, 900
April 11	281, 700	282, 400	1, 856, 500	1, 967, 600
April 18	232, 300	257, 200	1, 761, 000	1, 911, 400
April 25	229, 000	261, 100	1, 680, 900	1, 830, 000
May 2	225, 900	256, 100	1, 597, 400	1, 746, 800
Weekly averages				
March	259, 000	271, 800	2, 049, 900	2, 297, 900
April	246, 000	273, 400	[2] 1, 755, 400	1, 918, 000

[1] Refers to State programs. [2] Average through April 30, 1964.

March and mid-April. Eight large industrial States—California, Illinois, Massachusetts, Michigan, New Jersey, New York, Ohio, and Pennsylvania—reported reductions of more than 15,500 from the previous month.

The largest decrease was in *New York*—down by 34,600 to 254,800, or about twice the usual drop at this time of year. More than four-fifths of New York's reduction occurred in nonmanufacturing—mainly due to job improvement in construction, trade, and services. There were also employment gains in the textile and electrical machinery industries. Apparel was the only major industry to show a sizable over-the-month rise in unemployment—reflecting the usual post-Easter slack period. Compared with April a year earlier, the State's insured unemployment total was down by 32,000; two-thirds of this decline was in the manufacturing sector—primarily among apparel, textile, electrical machinery, paper, and leather workers. Insured joblessness in nonmanufacturing was 10,200 less than in April 1963; slightly more than half this reduction occurred among workers from the construction industry.

A decline of 29,800 over the month lowered *Pennsylvania's* insured unemployment to 146,700. The March-April decrease was about twice as large as usual for the time of year. Reductions amounted to 13,500 in construction, 3,000 in services, 2,900 in steel, and 2,500 in trade. Other changes were small. Compared with a year earlier, the State's volume was down by 32,300; sizable reductions were noted among workers from mining, public utilities, trade, and services. Unemployment declines occurred also in the primary and fabricated metals industries.

A 27,400 decrease in the number of insured unemployed in *California* brought the mid-April total to 243,100. Slightly more than one-half of this reduction occurred among workers in nonmanufacturing, largely those from the construction and trade industries. Among factory workers, the most substantial jobless decline was in food processing. From a year earlier, nearly three-fourths of the 19,100 drop in joblessness was in construction; there was also a sizable decline among claimants from the lumber industry. At the same time, unemployment among trade workers showed a small rise from April 1963.

Insured joblessness in *Ohio* fell by 27,200 over the month to 74,200—mainly reflecting job improvement in the construction, trade, and service industries. Among factory workers, there were some employment gains in stone-clay-glass, metals, and textile plants. The insured jobless total was down by 22,100 from a year earlier, with the largest declines occurring among former construction and trade workers.

Four other States showed substantial declines in insured joblessness between March and April. Re-

Activity [1]	Number or amount, March 1964	Percent change from—		Cumulative, January–March (in thousands)	
		February 1964	March 1963	1964	1963
Initial claims [2]	1, 135, 500	−3. 9	+. 8	4, 165	4, 537
Weeks claimed [2]	9, 233, 300	+. 1	−6. 6	29, 295	32, 282
Insured unemployment (weekly average) [2]	2, 049, 900	−8. 6	−10. 8	2, 231	2, 481
Beneficiaries (weekly average)	1, 887, 100	−6. 3	−12. 8	1, 965	2, 197
Benefits paid [3]	$292, 618, 500	+3. 1	−7. 5	$892, 268	$969, 253
Claimant exhaustions	139, 900	+11. 6	−8. 5	404	456

[1] Data relate to State programs except where otherwise indicated.
[2] Includes agent State claims taken by the Virgin Islands; also includes data under Puerto Rican sugarcane program.
[3] Monthly data represent gross amounts; cumulative data represent net amount.

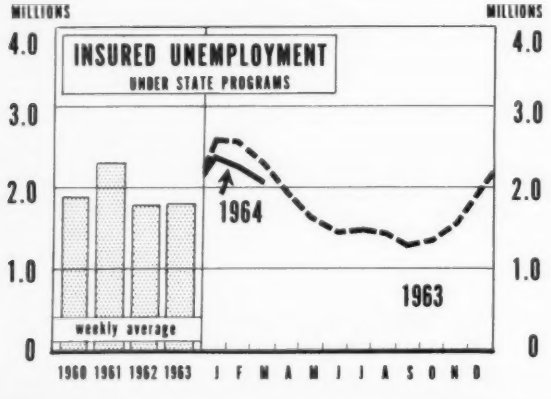
ductions in each of these States—*Illinois*, *Massachusetts*, *Michigan*, and *New Jersey*—approximated 16,000. Most of the declines in these States resulted from increased job opportunities in the construction industry. In *Massachusetts* and *New Jersey*, sizable increases in joblessness occurred among apparel workers. Although insured unemployment declined over the year in each of these States, *Michigan* showed by far the most substantial decrease—down by 16,100. Most of the reduction in this State resulted from less unemployment among workers in the construction, nonelectrical machinery, fabricated metals, and trade industries.

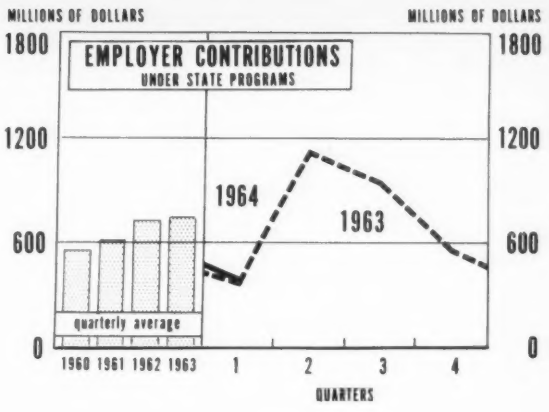
Extended Duration Benefits Paid in Two States and Puerto Rico

In addition to claimants under the regular State programs, the insured jobless in California, Vermont, and Puerto Rico claimed benefits during April under the extended duration provisions of their State laws. The average weekly volumes for the month of April amounted to 32,135 (31,075 in California, 690 in Vermont, and 370 in Puerto Rico). For the same period a year ago, the average for the two States was 24,555 (24,025 in California and 530 in Vermont). Puerto Rico's extended duration program was not in effect in April 1963.

Claimant Exhaustions Increase in April

Approximately 150,000 claimants under State programs exhausted their benefit rights in April. This was an increase of 7 percent from the March total (140,000) but 9 percent below that (165,000) of a year earlier. Exhaustees in April accounted for about 1 out of every 10 persons who dropped out of State unemployment insurance programs during the month. Most of the remainder presumably were recalled to work, found new jobs, or had left the labor market; some may have been disqualified from the receipt of benefits.





Benefit Payments Rise in March

Benefits paid out under all regular unemployment insurance programs (including the railroad program) totaled $315.6 million in March, compared with $307.9 million in February and $343.0 million in March 1963. During January–March 1964, a total of $892.3 million was disbursed under all regular programs, compared with $969.3 million for the same period a year earlier. Of the March 1964 total, $292.6 million was paid out under State programs, $8.5 million under the railroad program, and an aggregate of $14.5 million under the two Federal programs (UCX and UCFE).

For totally jobless workers, the average benefit check under State programs amounted to $36.26 per week in March—2 cents more than in February and 46 cents above the year-earlier payment. In six States—California, Colorado, Massachusetts, New Jersey, Ohio, and Wisconsin—the weekly benefit check averaged more than $40; it was less than $25 in Mississippi, North Carolina, West Virginia, and Puerto Rico.

Approximately 7.3 percent of the insured unemployed under State programs received benefits for partial unemployment in March, compared with 7.5 percent in February. The proportion of those receiving weekly checks for partial unemployment ranged from 2.4 percent in the District of Columbia to 14.3 percent in Hawaii, 14.5 percent in Georgia, and 19.3 percent in North Dakota. The average weekly amount, at $21.93 in March, was 8 cents more than in February.

Selected Unemployment Insurance Statistics, State Programs, March 1964

State	Initial claims received 1/ 2/	Weeks claimed 2/	Number of unemployed (weekly average) 3/	Number of beneficiaries (weekly average) 3/	Average weekly payments for total unemployment	Number of final payments 4/	Benefits paid 5/	12 months ending March 31, (in thousands) Benefits paid 6/	12 months ending March 31, (in thousands) Collections and interest	Funds available March 31, 1964 7/ (in thousands)
Total, 52 States	8/1,135,507	8/9,233,343	8/2,049,930	1,887,145	$ 36.26	139,934	$292,618,476	$269,768,3	$323,278,4	$619,617,4
Alabama	12,464	102,037	22,436	18,765	25.79	1,893	2,090,827	22,441	39,884	65,585
Alaska	1,645	22,588	5,158	5,246	38.01	278	859,915	6,260	7,884	10/ 6,812
Arizona	8,145	58,983	13,002	10,127	32.17	694	1,419,927	12,352	14,887	64,189
Arkansas	8,053	82,149	17,663	14,127	26.49	1,196	1,584,919	12,593	13,096	27,214
California	168,358	1,186,541	266,590	243,610	43.05	17,652	45,569,726	9/ 490,667	511,220	579,910
Colorado	7,625	55,468	11,868	10,405	42.71	708	1,895,396	16,988	16,845	47,430
Connecticut	16,065	154,574	33,836	33,767	39.87	2,614	5,836,165	47,359	55,438	159,718
Delaware	2,037	22,742	5,047	5,898	39.15	430	991,894	7,325	10,795	14,793
Dist. of Col.	2,952	31,291	6,738	6,968	38.52	387	1,174,599	10,863	9,487	61,971
Florida	19,339	113,684	25,152	15,483	28.28	1,915	1,874,551	27,432	45,124	138,101
Georgia	14,973	106,796	24,104	19,225	28.16	2,563	2,203,839	21,975	36,022	156,178
Hawaii	2,570	24,740	5,550	4,911	38.72	349	771,698	9,956	8,537	14,778
Idaho	3,868	40,917	8,728	7,933	39.47	1,324	1,316,771	8/ 8,876	9,241	24,548
Illinois	49,624	430,778	95,393	91,344	39.01	8,247	15,350,177	9/ 138,727	182,375	400,037
Indiana	21,569	170,753	35,664	35,154	31.61	5,023	4,736,320	37,041	48,442	141,908
Iowa	5,432	64,000	13,860	12,780	30.99	1,108	1,676,369	10,855	14,072	105,534
Kansas	6,003	58,892	12,515	12,750	37.58	957	2,069,824	16,762	15,049	56,794
Kentucky	12,303	134,677	29,589	26,188	33.61	1,339	3,703,714	25,109	31,152	101,687
Louisiana	11,560	112,903	25,661	23,674	30.51	1,874	3,081,310	28,008	34,944	99,896
Maine	5,666	54,903	12,612	10,832	26.53	1,194	1,130,914	10,632	12,562	25,089
Maryland	13,570	132,366	31,210	31,512	32.60	1,540	4,383,331	36,780	57,777	116,729
Massachusetts	45,865	441,749	98,827	93,264	41.00	6,929	15,994,900	139,969	128,910	160,494
Michigan	39,340	307,885	68,610	60,088	37.72	5,968	9,790,502	85,302	195,977	10/297,367
Minnesota	12,846	206,109	47,924	43,247	30.64	2,019	5,726,082	38,687	34,332	20,185
Mississippi	7,859	73,612	15,996	14,203	24.73	1,143	1,509,955	12,675	19,802	38,984
Missouri	25,491	188,712	41,041	33,360	33.86	2,291	4,665,035	39,772	49,361	200,007
Montana	3,635	37,432	8,955	8,489	31.45	652	1,176,896	6,995	5,924	19,015
Nebraska	3,301	45,827	9,851	10,470	34.41	781	1,564,767	9,064	10,094	38,121
Nevada	4,737	30,145	6,632	7,426	39.15	549	1,254,924	8,402	12,906	24,630
New Hampshire	6,680	35,046	7,756	6,438	32.16	518	865,563	8,299	7,831	23,013
New Jersey	56,196	458,413	102,287	103,198	40.22	9,909	17,738,672	161,790	143,933	262,286
New Mexico	3,843	31,014	6,173	9,793	30.17	366	1,276,151	8,487	7,544	33,860
New York	185,937	1,281,729	285,172	266,054	39.37	13,536	44,183,972	434,862	536,194	1,084,275
North Carolina	30,849	188,349	42,204	39,447	22.68	2,330	3,761,395	37,526	50,036	197,500
North Dakota	3,355	29,928	6,970	7,299	37.78	246	1,211,416	5,143	5,378	5,518
Ohio	45,380	446,388	96,594	89,810	40.23	3,777	15,613,318	136,839	155,601	93,555
Oklahoma	7,943	80,440	17,634	13,146	26.17	1,113	1,497,795	16,809	22,160	38,472
Oregon	18,468	114,436	26,092	22,627	35.54	998	3,464,280	25,411	41,578	57,802
Pennsylvania	95,376	765,406	169,886	160,773	33.07	7,277	22,419,233	220,500	269,314	10/ 115,171
Puerto Rico	8/ 6,405	8/ 65,185	8/ 15,118	7,708	14.08	1,501	493,414	9/ 1,310	18,347	48,305
Rhode Island	10,284	64,766	14,076	13,098	32.46	1,121	1,797,831	16,827	21,161	38,705
South Carolina	8,496	72,285	15,921	13,992	26.91	1,666	1,624,115	15,879	20,658	79,158
South Dakota	1,180	21,321	4,620	5,046	31.60	427	682,626	3,575	3,038	14,411
Tennessee	11,205	158,946	35,423	30,991	27.30	2,336	3,622,544	30,318	39,208	69,671
Texas	27,830	239,156	54,578	48,566	29.31	7,272	6,156,504	64,060	57,356	220,900
Utah	4,303	25,035	11,631	9,644	37.99	693	1,583,895	11,018	12,480	36,871
Vermont	2,323	27,139	5,938	5,410	34.65	244	902,402	9/ 6,531	4,139	5,965
Virginia	8,135	85,183	18,230	17,445	27.92	1,922	2,073,077	14,142	31,153	123,027
Washington	29,819	231,103	50,676	49,577	33.43	4,416	7,195,036	61,459	59,499	185,965
West Virginia	8,963	59,329	21,294	18,791	24.65	843	1,982,852	16,074	30,598	55,993
Wisconsin	14,802	157,598	35,879	34,700	43.12	11/ 2,283	6,459,109	46,796	47,755	183,575
Wyoming	1,398	18,082	3,802	2,946	39.64	123	494,029	4,158	5,685	4,473

1/ Excludes transitional claims.
2/ Total includes claims taken as agent State by the Virgin Islands.
3/ Weekly data are adjusted for split weeks in the month on the basis of a 5-day work week.
4/ A final payment is the payment for the last week of compensable unemployment in a benefit year, and indicates the exhaustion of benefit rights by a claimant for that benefit year. Because of the time lapse between the actual week in which the unemployment occurs and the date on which final payment is made the monthly total includes some claimants who exhausted their rights in the preceding month but will not receive their final payment in the reported month, and excludes some claimants who exhausted their rights in the reported month but will not receive their final payments until the succeeding month. Workers who exhaust their rights may be entitled to additional benefits when the following benefit year begins. The number of exhaustions is not indicative of the number who are still unemployed as some will have obtained employment and others may have withdrawn from the labor force.
5/ Unadjusted for voided benefit checks and transfers under interstate combined-wage plan. Includes $182,322 in payments under extended duration provisions of State laws in three States: California $53,091; Puerto Rico, $19,941 and Vermont, $109,290.
6/ Adjusted for voided benefit checks and transfers under interstate combined-wage plan.
7/ Includes amount credited to States' accounts in the unemployment trust fund, less withdrawals by the States, under the provisions of the Employment Security Administrative Financing Act of 1954.
8/ Includes data under the program for Puerto Rican sugarcane workers.
9/ Includes payments made under State temporary extended benefit provisions.
10/ Funds available reflect an advance from Federal account in Unemployment Insurance Trust Fund to: Alaska, $2,630,000 in January 1957, $2,635,000 in February 1958, $3,000,000 in July 1958, and $500,000 in January 1960: Michigan $113,000 in September 1958; Pennsylvania $96,440,000 in April 1959, $1,504,000 in May 1960, $4,056,000 in July 1960, $7,400,000 in March 1961, $1,800,000 in May 1961, and $800,000 in August 1961.
11/ Represents data on a "per employer" basis and is not strictly comparable.

Selected Data on Unemployment Compensation for Federal Civilian Employees and Ex-Servicemen, 1/ March 1964

Program	Initial claims received	Weeks claimed	Number of insured unemployed (weekly average)	Number of beneficiaries (weekly average)	Average weekly payments for total unemployment	Number of final payments	Benefits paid
Total, Federal programs	38,620	471,316	104,956	94,387	---	7,097	$14,794,040*
UCFE program 1/	10,674	167,973	37,534	34,964	2/$36.33	(3/)	5,595,841
UCX program 1/	27,946	303,343	67,422	59,423	2/34.00	(3/)	8,893,031

1/ The programs for Federal civilian employees (UCFE) and for ex-servicemen (UCX), established under Title XV of the Social Security Act, became effective January 1, 1955 and October 27, 1958, respectively. UCFE excludes data for persons filing to supplement benefits under State programs, and UCX data exclude information on claims filed jointly with other programs.
2/ Based on all unemployment. 3/ Data cannot be shown separately.
* Includes total amount paid from title XV funds. Includes $19,011 in payments under extended duration provisions of title XV in two States: California, $15,037; Vermont, $3,974. The amounts shown under the separate programs will not add to total due to the exclusion of payments made jointly with State programs.

Income-Maintenance Program Operations

All Programs

	1964		1963	
	March	February	March	February
Total Public Income-Maintenance Payments (millions)	$3,035	$2,974	$2,899	$2,853
Old-age, survivors, and disability insurance	1,348	1,326	1,272	1,254
Railroad and public employee retirement	1/428	1/425	1/391	1/387
Unemployment insurance, temporary disability insurance, workmen's compensation, training benefits (ARA and MDTA)	2/502	2/487	2/516	2/506
Veterans' compensation and pension programs	332	321	323	315
Public assistance	425	415	396	390
Old-Age, Survivors, and Disability Insurance				
Total beneficiaries (thousands)	19,285	19,186	18,353	18,242
Retired workers	10,409	10,354	9,911	9,847
Survivors and dependents	8,034	7,997	7,674	7,640
Disabled workers	842	835	768	755
Total monthly benefits (millions)	3/$1,283	3/$1,275	3/$1,208	3/$1,198
Retired workers	804	799	759	753
Survivors and dependents	403	401	380	377
Disabled workers	76	76	69	68
Public Assistance				
Total recipients (thousands)	8,069	8,008	7,886	7,868
Federally aided programs	7,157	7,075	6,870	6,835
Aid to families with dependent children	3,149	3,098	2,986	2,963
Total recipients	4,207	4,142	3,993	3,960
Old-age assistance	2,189	2,189	2,214	2,217
Other federally aided programs	761	744	663	658
General assistance: Cases	373	374	386	389
Recipients	912	933	1,016	1,033
Total payments (millions)	4/$425	4/$415	4/$396	4/$390
Federally aided programs	390	381	360	354
General assistance	25	25	26	26

Operations Under Area Redevelopment and Manpower Development and Training Acts

	Total		ARA		MDTA	
	April 1964	March 1964	April 1964	March 1964	April 1964	March 1964
Total paid trainees	25,988	25,892	2,504	2,683	23,484	23,209
Youths	3,138	3,690	NA	NA	3,138	3,690
Total net benefits	$3,297,075	$3,267,083	$229,919	$254,132	$3,067,156	$3,012,951
Training allowances	2,478,769	2,487,573	229,919	254,132	2,248,850	2,233,441
Youth allowances	217,334	201,236	NA	NA	217,334	201,236
Subsistence allowances	468,518	454,159	NA	NA	468,518	454,159
Transportation allowances	132,454	124,115	NA	NA	132,454	124,115

Temporary Disability Insurance Activities Under State and Railroad Programs

	First claims received		Weeks compensated		Benefits paid		Benefits paid	
	April 1964	March 1964	April 1964	March 1964	April 1964	March 1964	April 1963	March 1963
California								
State plan								
Basic benefits	50,649	51,849	295,129	302,747	$15,574,642	$15,889,774	$14,667,644	$13,369,748
Additional hospital benefits	5/31,069	5/31,512	6/221,909	6/228,014	2,662,908	2,736,168	2,614,164	2,650,992
Private plan	3,484	3,404	(7/)	(7/)	(7/)	(7/)	(7/)	(7/)
New Jersey								
State plan	7,487	7,855	57,028	54,821	2,161,414	2,072,143	2,220,313	1,928,275
Private plan	(7/)	(7/)	(7/)	(7/)	(7/)	(7/)	(7/)	(7/)
New York	(7/)	(7/)	(7/)	(7/)	(7/)	(7/)	(7/)	(7/)
Rhode Island	2,867	2,974	27,263	27,404	917,663	923,665	943,224	926,695
Railroad								
Sickness	9,912	10,361	8/94,590	9/104,012	2,821,646	3,297,914	3,573,076	3,726,913
Maternity	150	168	8/2,410	9/2,544	165,500	179,022	177,434	182,313

1/ Data not comparable with earlier reports. Effective January 1964, Federal noncontributory and State and local retirement systems previously included with the data for unemployment insurance, temporary disability insurance, and workmen's compensation are included with railroad and public employees retirement systems (revised figures also shown for February and March 1963).

2/ Data for temporary disability insurance and workmen's compensation include estimated payments made by private insurers and self-insurers in accordance with law.

3/ Current payment status; excludes lump sum and retroactive payments and adjustments for over and under payments.

4/ Total payments exceeds sum of items because of inclusion of vendor payments, not shown in detail.

5/ Represents the number of payments made.

6/ Days for which additional hospital benefits were paid.

7/ Data not available.

8/ Estimated from data "benefit periods" compensated which number 47,295 for sickness and 1,205 for maternity.

9/ Estimated from data "benefit periods" compensated which number 52,066 for sickness and 1,272 for maternity

NA--Not applicable.

When Is a Weekly Benefit Amount Adequate? (Part II)

*Morris Sackman**

EDITOR'S NOTE.—*Part I of this article, which appeared in the April issue of the Review, discusses claimants' spending patterns for nondeferrable expenses before and during unemployment, as well as the methods of estimating the wage loss resulting from job loss.*

Maintaining Levels of Living

The second major goal of the weekly benefit amount is to provide sufficient income to enable unemployed workers to substantially maintain their preunemployment levels of living, so that they do not have to receive partial or total public assistance. It is accepted that the weekly benefit amount cannot and should not fully replace wages; consequently, it can be expected that some economic adjustments will be experienced by unemployed workers.

Results of the six benefit adequacy studies show that all claimants had to make some economic adjustments during unemployment, and a substantial proportion of them had to make more than one kind of economic adjustment. These adjustments were not uniform among the survey areas, nor were they consistent between single and head of four-person-household claimants. Decreasing or exhausting savings, cashing securities, and increasing indebtedness were the most usual adjustments that were made. These did not necessarily mean that there were reductions in living standards, although these adjustments would certainly affect attitudes about expenditures during and after periods of unemployment.

There were indications, however, that some reduction in living standards had taken place. The dropping of life insurance was experienced by a substantial proportion of both single and head of four-person-household claimants in the Pittsburgh survey, and by some claimants in the other surveys. Postponement of medical and dental care and of purchases was substantial in all areas on the part of both single and head of four-person-household claimants.

Additional adjustments occurred for claimants who were heads of four-person households. A significant proportion required some public assistance or welfare; a higher proportion required the assistance of free medical or dental care. A smaller proportion required the more complete assistance of relief goods and services or cash. Apparently this latter need was not a problem among single claimants. These facts make it appear that the weekly benefit amounts received by the unemployed in the study areas were not adequate to accomplish the objective of preventing the need for public assistance for all claimants.

Malingering and the Incentive To Work

The third limitation placed on the adequacy of the weekly benefit amount is that it not be so high as to influence adversely the incentive to work. An accumulation of knowledge is needed about work incentives, and about the relationship between satisfying income needs and work incentives. It is necessary to determine the point, if any, at which the opportunity for temporary nonwage income becomes a substitute for work for different persons or groups of persons. Data on the socioeconomic factors influencing work incentives are inconclusive, although there are indications that, for most individuals, work serves a function beyond the mere satisfaction of basic economic needs. As part of the studies suggested here, attention should be given to the factors affecting work incentives, and to the relationship between a weekly benefit amount that is adequate to meet nondeferrable expenses and one that does not adversely affect the incentive to work. There should also be studies that would measure and evaluate administrative techniques to detect and control malingering, if it is concluded that malingering is a problem. Once these determinations are made, and the wage loss and the fraction to be compensated are determined, establishment of the minimum and maximum weekly benefit amounts follows.

*Office of Program Development and Legislation, Unemployment Insurance Service, Bureau of Employment Security.

Establishing the minimum weekly benefit amount.—There are still 10 States with minimum weekly benefit amounts of less than $10, and 24 other States in which it is only $10. During 1963, less than 1 percent of all newly insured claimants were qualified only for the minimum weekly benefit amount. If it is to defray at least the nondeferrable expenses, the minimum weekly benefit should be large enough to accomplish that purpose. Yet adequacy of the minimum weekly benefit amount has been neglected so far as studies and analyses are concerned. Research in the area of income and expenditures for low-wage workers is needed urgently to determine how meaningful is the receipt of unemployment insurance to such workers, and to learn the extent to which they rely on wage income or other means of meeting nondeferrable expenses. Then, studies of the adequacy of the minimum weekly benefit amount should be undertaken.

Establishing the maximum weekly benefit amount.—It is generally accepted that a maximum weekly benefit amount is necessary. The problem has been to set an amount that is not too low or too high. If set too low, it would prevent a substantial majority of workers from receiving the program fraction of wage-loss compensation. If set too high, the amount might be larger than necessary to meet nondeferrable expenses for workers with higher weekly wages. This might adversely affect an unemployed worker's incentive to return to work or to seek other employment. It would also make it possible for a few highly paid workers to receive a disproportionate share of total benefits paid. Consequently, in attempts to make the weekly benefit amount more adequately meet program objectives, most of the attention has been directed to establishing the level of the maximum weekly benefit amount.

Except for 11 States, the maximum weekly benefit is still a dollar amount fixed by statute. For the most part, it has not kept pace with changing wage levels. Among the States, it ranges from 28 to 64 percent of statewide average weekly wages

TABLE 3.—CLAIMANTS RECEIVING MAXIMUM WEEKLY BENEFIT AMOUNT AND A WEEKLY BENEFIT AMOUNT OF AT LEAST 50 PERCENT OF GROSS AND NET WAGES,[1] BY TYPE OF CLAIMANT

Type of claimant	Survey area					
	Pittsburgh, Pa.	Tampa-St. Petersburg, Fla.	Anderson-Greenville-Spartanburg, S.C.	Albany-Schenectady-Troy, N.Y.	Portland, Oreg.	St. Louis, Mo.
Single claimants						
Percent receiving maximum weekly benefit amount	59	21	37	36	42	49
Percent receiving a weekly benefit amount which is at least 50 percent of—						
Gross wages	30	28	51	51	52	34
Net wages [1]	58	65	84	70	79	57
Head of 4-person-household claimants						
Percent receiving maximum weekly benefit amount	91	67	41	51	76	74
Percent receiving a weekly benefit amount which is at least 50 percent of—						
Gross wages	14	[2] 27	33	26	25	15
Net wages [1]	20	[2] 52	46	39	40	27
Percent at the maximum weekly benefit amount receiving a weekly benefit amount which is at least 50 percent of—						
Gross wages	10	[2] 24	17	4	22	13
Net wages [1]	16	[2] 40	29	19	38	23

[1] Net wages exclude Federal payroll and social security taxes.
[2] Includes head- and non-head-of-household claimants.

in covered employment. As high as 31 to 48 percent of newly insured claimants in 1962 qualified for the maximum weekly benefit amount. Most of these claimants were thus unable to receive the program wage-loss fraction.

The inadequacy resulting from rigidity in existing methods of changing the maximum weekly benefit amount is confirmed by the six benefit adequacy studies. Table 3 shows the proportion of claimants receiving a weekly benefit amount equal to at least 50 percent of their average gross and net wages.

It is clearly evident that a substantial proportion of all claimants received less than half their gross wages in a weekly benefit amount. For head of four-person-household claimants receiving the maximum weekly benefit amount, the overwhelming proportion did not receive half of either their average gross or net wage in the weekly benefit amount.

In 1957, Utah became the first State to make operative a maximum weekly benefit amount expressed as a fixed fraction of statewide average weekly wages. Today, there are 11 States that use the fixed fraction to relate the maximum automatically to the statewide average weekly wage. The other States fix a dollar maximum weekly benefit amount that is not automatically related to changes in wage levels. It is the consensus of persons familiar with unemployment insurance systems that the principle of a fixed fraction of statewide average weekly wages keeps the maximum weekly benefit amount closely related to changes in wage levels.

Legislation now being proposed in the Congress would apply this principle generally throughout the United States, with the fixed fraction gradually increased, over a period of years, from 50 to 60 and finally to 66⅔ percent of statewide average weekly wages. Under this legislation, the States could continue to modify the dollar maximum weekly benefit amount annually by legislative amendment so long as that maximum met the fraction of average weekly wages contemplated by the Federal legislation. Or, States could adopt the practice now in use in the 11 States that have already adopted the fixed fraction principle whereby the agency administering the unemployment insurance program computes periodically the statewide average weekly wage and applies the legislative fraction to obtain the maximum weekly benefit amount. This proposed legislation recognizes that the present fixing of the dollar maximum weekly benefit amount established by statutory amendment not tied to proportionate changes in wage levels has been insufficient to permit the maximum to keep pace with changing wage levels. It acknowledges also that there is the need to make the adjustment between the two more realistic and frequent.

A great deal of work has been undertaken in determining the adequacy of the maximum weekly benefit amount, but more remains to be done. It is necessary to determine in each State what proportion of statewide average weekly wage above 66⅔ percent should constitute the maximum weekly benefit amount, so that a great majority of workers can receive the program fraction of wage-loss compensation. To do that, it would be necessary to determine the proportion of all workers with wage credits who qualify for benefits and who would be entitled to maximum weekly benefit amounts for different fractions of the statewide average weekly wage. The accompanying tabulation indicates the result of a project based on 3-year studies of employment and unemployment patterns of workers with wage credits in Oklahoma, Oregon, and Pennsylvania.

Percent of all workers with wage credits eligible for unemployment insurance who would receive the wage-loss fraction established in the benefit formula if the maximum weekly benefit amount based on statewide average weekly wages were set at fractions of—

State	*One-half*	*Three-fifths*	*Two-thirds*
Oregon	46	62	72
Oklahoma	52	65	74
Pennsylvania	57	68	76

Studies such as these are needed in all States so that, in addition to meeting the above requirements, it would also be possible to determine the impact of changes in qualifying requirements.

Therefore, in order to determine the adequacy of the weekly benefit amount, we need to know more about nondeferrable expenses, levels of living, and work incentives. The six benefit adequacy studies ". . . expose the human side of the problem of unemployment and shed some light on the role of unemployment insurance in meeting this problem." They point to the need of more research to devise the formulas which will help resolve these problems.

Penalties for Fraudulent Misrepresentation

Each State has established eligibility requirements which an unemployed worker must meet to receive unemployment insurance benefits. He must also be free from disqualifications under which benefits would be denied. The following two tables show, by State, the established penalties for fraudulent misrepresentation, and special provisions for disqualification for fraudulent misrepresentation to obtain benefits. These tables bring up to date, as of May 31, material that appears in *Comparison of State Unemployment Insurance Laws* (as of January 1, 1964), which is now at press.

PENALTIES FOR FRAUDULENT MISREPRESENTATION: FINE OR IMPRISONMENT OR BOTH IN AMOUNTS AND PERIODS SPECIFIED [1]

State	To obtain or increase benefits		To prevent or reduce benefits	
	Fine [2]	Maximum [3] imprisonment (days unless otherwise specified)	Fine [2]	Maximum [3] imprisonment (days unless otherwise specified)
Alabama	$25– $250	3 mos.	[4] $50–$250	[4] 3 mos.
Alaska	– 200	60	– 200	60
Arizona	25– 200	60	25– 200	60
Arkansas	20– 50	30	20– 200	60
California	([5])	([5])	([5])	([5])
Colorado	25–1,000	6 mos.	25–1,000	6 mos.
Connecticut	– 200	6 mos.	– 200	6 mos.
Delaware	20– 50	60	20– 200	60
District of Columbia	– 100	60	–1,000	6 mos.
Florida	50– 100	30	50– 500	60
Georgia	([5])	([5])	20– 200	60
Hawaii	20– 200	30	20– 200	60
Idaho	([6])	([6])	20– 200	60
Illinois	5– 200	6 mos.	5– 200	6 mos.
Indiana	20– 100	60	20– 100	60
Iowa [1]	20– 50	30	20– 200	60
Kansas	20– 50	30	20– 200	60
Kentucky	10– 50	30	10– 50	30
Louisiana	50– 200	[3] 90	50– 200	[3] 90
Maine	20– 50	30	20– 200	60
Maryland	50– 500	90	50– 500	90
Massachusetts	25– 200	30	100– 500	90
Michigan	– 100	90	– 100	90
Minnesota	([5])	([5])	([5])	([5])
Mississippi	20– 50	30	20– 200	60
Missouri	50–1,000	6 mos.	50–1,000	6 mos.
Montana	50– 500	3–30	50– 500	3–30
Nebraska	20– 50	30	20– 200	60
Nevada	50– 500	6 mos.	50– 500	6 mos.
New Hampshire	20– 200	1 yr.	25– 300	1 yr.
New Jersey	– 20		– 50	
New Mexico	– 100	30	– 100	30
New York	– 500	1 yr.	– 500	1 yr.
North Carolina [1]	20– 50	30	20– 50	30
North Dakota	– 100	90	20– 100	90
Ohio	– 500	6 mos.	[4] 500	
Oklahoma	20– 50	30	20– 200	60
Oregon	100– 500	90	100– 500	90
Pennsylvania [1]	30– 200	30	50– 500	30
Puerto Rico [1]	([7])	([7])	1,000	1 yr.
Rhode Island	20– 50	30	[4] 20– 50	[4] 30
South Carolina [1]	20– 100	30	20– 100	30
South Dakota	20– 200	([3])	20– 200	60
Tennessee	([5])	([5])	([5])	([5])
Texas	100– 500	30–1 yr.	20– 200	60
Utah	50– 250	60	50– 250	60
Vermont	– 50	30	[4] 50	[4] 30
Virginia	([5])	([5])	([5])	([5])
Washington [1]	20– 250	90	20– 250	90
West Virginia	20– 50	30	[4] 20– 200	[4] 30
Wisconsin	25– 100	30	25– 100	30
Wyoming	– 50	30	– 200	60

[1] In States footnoted, law does not require both fine and imprisonment, except Iowa which may impose both fine and imprisonment for fraudulent misrepresentation to prevent or reduce benefits; Pennsylvania to obtain or increase benefits; and Puerto Rico to obtain or increase benefits, and to prevent or reduce benefits.

[2] Where only 1 figure is given, no minimum penalty is indicated; law says "not more than" amounts specified.

[3] Louisiana and South Dakota specify a minimum imprisonment of 30 days.

[4] General penalty for violation of any provisions of law; no specific penalty for misrepresentation to prevent or reduce benefits and, in Vermont, to obtain or increase benefits. In Ohio, penalty for each subsequent offense, $25–$1,000.

[5] Misdemeanor. [6] Felony. [7] Penalty prescribed in Penal Code for larceny of amount involved.

Disqualifications for Fraudulent Misinterpretation to Obtain State Unemployment Insurance Benefits, 51 States

State	Duration of disqualification [1]	Benefits reduced or canceled
Alabama		4 x wba—to maximum benefit amount payable in benefit year.[2]
Alaska	26 [1 3]	(4).
Arizona	13–52 weeks [1 2 3]	(4).
Arkansas	Current benefit year + [5]	All wage credits prior to act canceled.
California	1–10; if convicted, 52 weeks [1 7]	(4).
Colorado	W+51; if fraudulent benefits received, until such amounts are repaid [1]	(4).
Connecticut	2–20 weeks for which otherwise eligible [1 5]	Mandatory equal reduction.
Delaware	W+51	X.[6]
District of Columbia	All or part of remainder of benefit year and for 1 year commencing with the end of such benefit year [3]	X.[6]
Florida	1–52 weeks [1]	(4).
Georgia	Current benefit year + [5]	All unpaid benefits for unemployment after act and until 4 complete calendar quarters after determination of fraud canceled.[9]
Hawaii	1–52 weeks [1 3]	(4).
Idaho	If fraudulent benefits received, until such amounts and penalty are repaid	(4).
Illinois	If fraudulent benefits received, until such amounts and penalty are repaid or withheld.[9]	(4).
Indiana	Up to current benefit year + [6]	All wage credits prior to act canceled.
Kansas	W+51	X.[6]
Kentucky	W+up to 52 weeks; if fraudulent benefits received, until such amounts are repaid.[1 3]	(4).
Louisiana	W+52; if fraudulent benefits received, until such amounts are repaid	X.[6]
Maine	Duration of unemployment+$400 in wages; if fraudulent benefits received, further period of 3 months-1 year.[1]	
Maryland	1 year and until benefits repaid [1 3]	X.[6]
Massachusetts	1–10 weeks for which otherwise eligible.[1 3]	
Michigan	Current benefit year+; if fraudulent benefits received, until such amounts are repaid.[1 3]	All uncharged credit weeks canceled.
Minnesota	W+up to end of current or succeeding benefit year	(4).
Mississippi	W+up to 52 weeks [1]	X.
Missouri	Up to current benefit year + [6]	All or part of wage credits prior to act canceled.
Montana	12 months and until benefits repaid. [1]	
Nebraska	Up to current benefit year + [5]	All or part of wage credits prior to act canceled.
Nevada	W+1–52; if convicted W+51	X.[6]
New Hampshire	4–52 weeks; if convicted 1 year after conviction; and until benefits repaid or withheld.[3]	Mandatory equal reduction.
New Jersey	W+17 [1 3]	17 x wba. [3]
New Mexico	Not more than 52 weeks [1]	X.[6]
New York	20–80 days for which overwise eligible [1 5]	Mandatory equal reduction.
North Carolina	W+51	X.[6]
North Dakota	W+51	X.[6]
Ohio	Duration of unemployment + [10]	X.[10]
Oklahoma	W+51 [1 3]	Base period or benefit year may not be established during period.
Oregon	Up to 26 weeks; if convicted, until benefits repaid or withheld [1]	If convicted, all wage credits prior to conviction canceled.[6]
Pennsylvania	2 weeks plus 1 week for each week of fraud or prosecution undertaken, 1 year after any resulting conviction of illegal receipt of benefits.	If convicted. [6]
Puerto Rico	W+7 [1 3]	
Rhode Island	If convicted, 1 year after conviction	X.[6]
South Carolina	W+51 [1]	X.[6]
South Dakota	1–52 weeks [1]	(4).
Tennessee	W+4–52	(4).
Texas	Current benefit year	Benefits for remainder of benefit year canceled.
Utah	W+51; and until benefits received fraudulently are repaid	X.[6]
Vermont	Until amount of fraudulent benefits are repaid or withheld+1–26 weeks.[1]	(4).
Virginia	If convicted, 1 year after offense	(4).
Washington	Week of fraudulent act+26 weeks following filing of first claim after determination of fraud.[3]	X.[6]
West Virginia	W+5–52 weeks.[1 11]	Mandatory reduction of 5 times weekly benefit amount for each week of disqualification.
Wisconsin	Each week of fraud	1–3 weeks.[3 12]
Wyoming	If convicted, 2 weeks for each week of fraud.[3]	

[1] "W" means week in which the act occurs plus the indicated number of consecutive weeks following. The period of disqualification is measured from date of discovery of fraud (New Jersey); determination of fraud (Alaska, Hawaii, Kentucky, Maine, Maryland, Michigan, Montana, New Mexico, Oklahoma, Puerto Rico, and Vermont); date of claim or registration for work (Arizona, South Carolina, and West Virginia); week determination is mailed or served or any subsequent week for which individual is first otherwise eligible for benefits or, if convicted, week in which complaint is filed (California); week in which first fraudulent payment is made (Colorado); waiting or compensable week after its discovery (Connecticut, Florida, Massachusetts, New York, and South Dakota); as determined by agency (Mississippi and Oregon).

[2] Provision applicable at discretion of agency.

[3] Provision applicable only if claim filed within 3 years following date determination was mailed or served (California); 2 years after offense (Alaska, Arizona, Hawaii, Maryland, New York, and Puerto Rico); if claim is filed within 2 years after discovery of offense (Connecticut); in current benefit year or one commencing within 12 months following discovery of offense (New Jersey); if determination of fraud is made within 12 months after offense (Georgia); and within 2 years after offense (Kentucky and Oklahoma); if court proceedings are not undertaken (Hawaii and Puerto Rico); if claim is filed within 2 years following determination of fraud (Washington); if claim is filed within 2 years after conviction (Wyoming).

[4] Before disqualification period ends, wage credits may have expired in whole or in part depending on disqualification imposed and/or end of benefit year. State not counted in the 33 States which reduce or cancel benefits.

[5] Statutory provision is 1–52 weeks according to circumstances. By regulation: 13 weeks for failure to report wages for 1 week; 26 weeks for failure to report wages for 2 weeks; and 52 weeks for such failure for 3 or more weeks.

[6] Cancellation of all wage credits means that period of disqualification will extend into 2d benefit year, depending on the amount of wage credits for such a year accumulated before fraudulent claim.

[7] This disqualification may be served concurrently with a disqualification imposed for any of the 3 major causes if the individual registers for work for such week as required under the latter disqualifications.

[8] Before disqualification period ends, wage credits will have expired in whole or in part, depending on end of benefit year.

[9] Penalty is equal to greater of amount fraudulently received or current weekly benefit amount unless 3 years have elapsed from notification to repay.

[10] In addition, claims shall be rejected within 4 years and benefits denied for a period determined by the agency and until repayment of benefits fraudulently drawn.

[11] For each week of disqualification for fraudulent claim, an additional 5-week disqualification is imposed.

[12] Compensable weeks within 2-year period following date of determination of fraud for concealing earnings or refusal of job offer.

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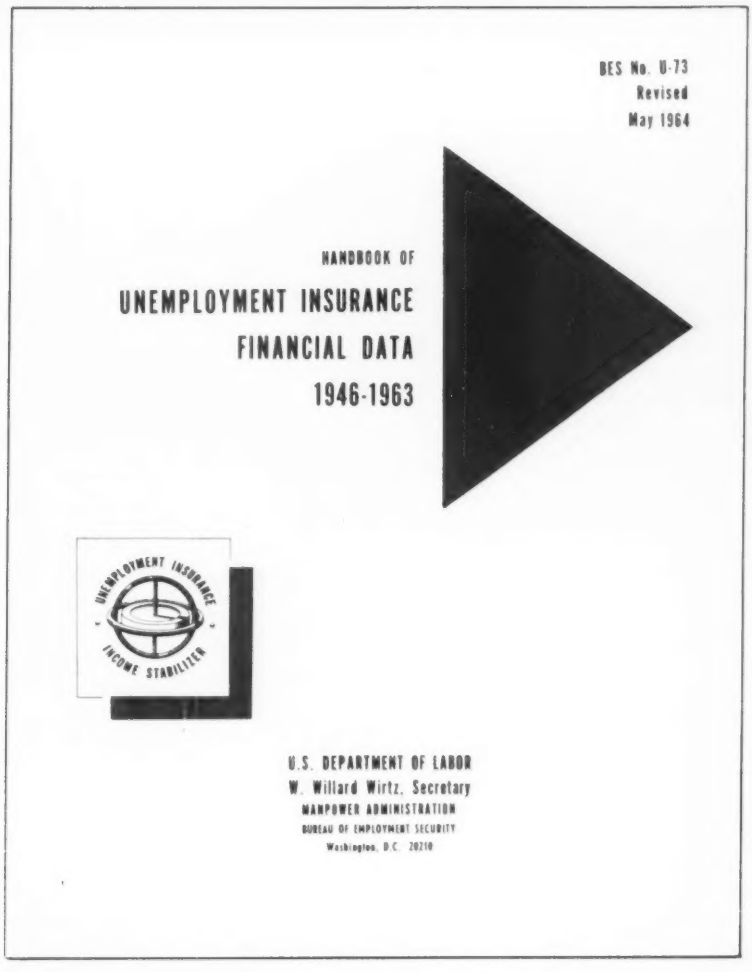

The *Handbook of Unemployment Insurance Financial Data, 1946–1963* brings together in one source book much of the statistical data relating to the experience which has emerged under the various State unemployment insurance laws. The data were compiled from reports submitted by the State agencies to the Bureau of Employment Security as part of the regular statistical reporting program.

The *Handbook* contains detailed statistical data, by year and by State, on the various financial aspects of the unemployment insurance program. These include data on claimants as well as ratios of collections, benefits, yearend reserves, and average employer tax rates based on total wages and taxable wages. Included also is a Glossary that identifies briefly each of the terms appearing in the *Handbook*.

Single copies of the *Handbook* are available, while the limited supply lasts, upon request to the Unemployment Insurance Service, Bureau of Employment Security, U.S. Department of Labor, Washington, D.C., 20210.

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